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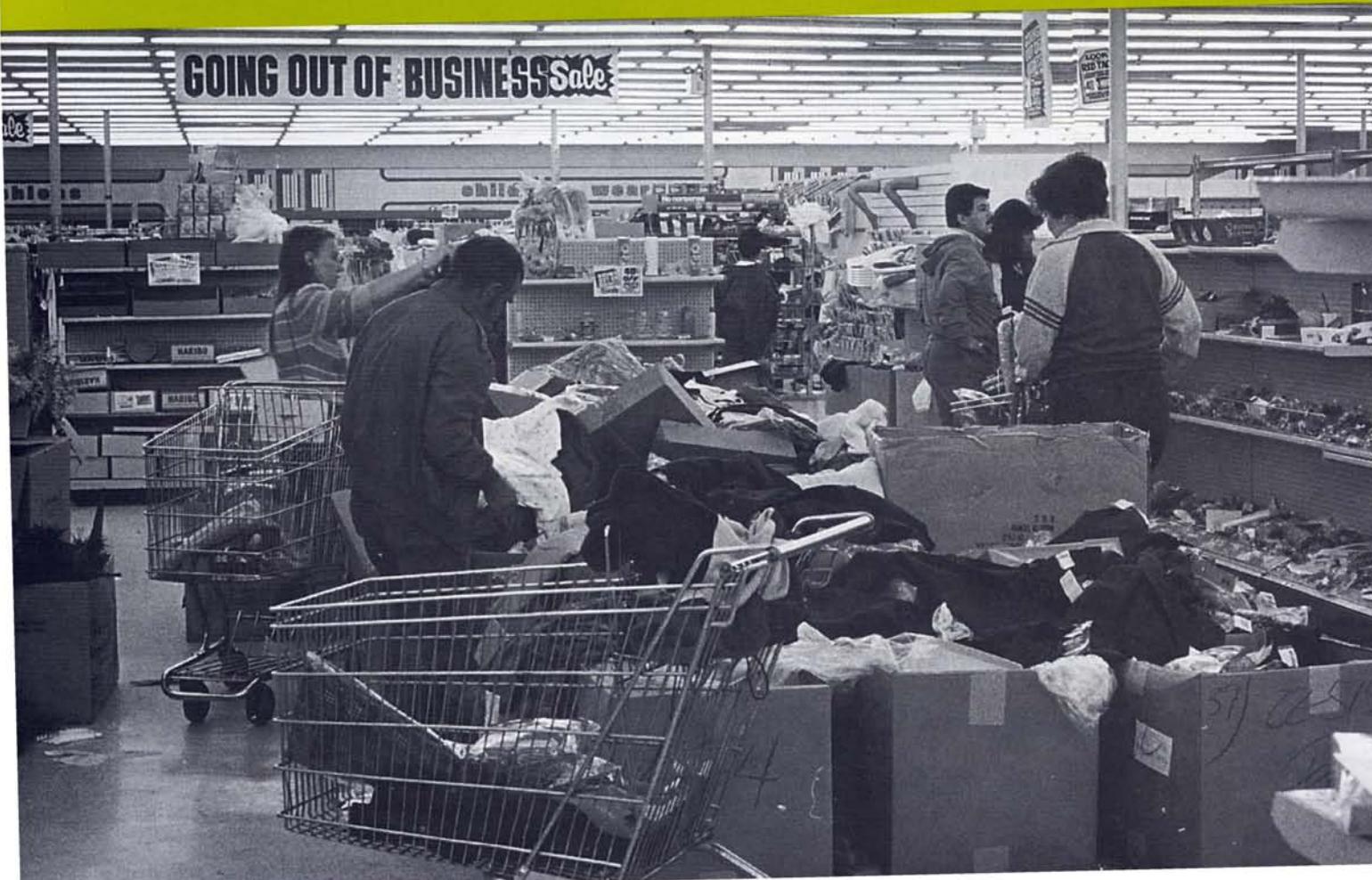
Executive Intelligence Review

September 27, 1996 • Vol. 23 No. 39

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EIR report exposes drug kingpin George Bush
UN-backed 'Tet offensive' sweeps Colombia
Washington's cowardice risks new Bosnian war

**U.S. market basket is half
what it was in the 1960s**



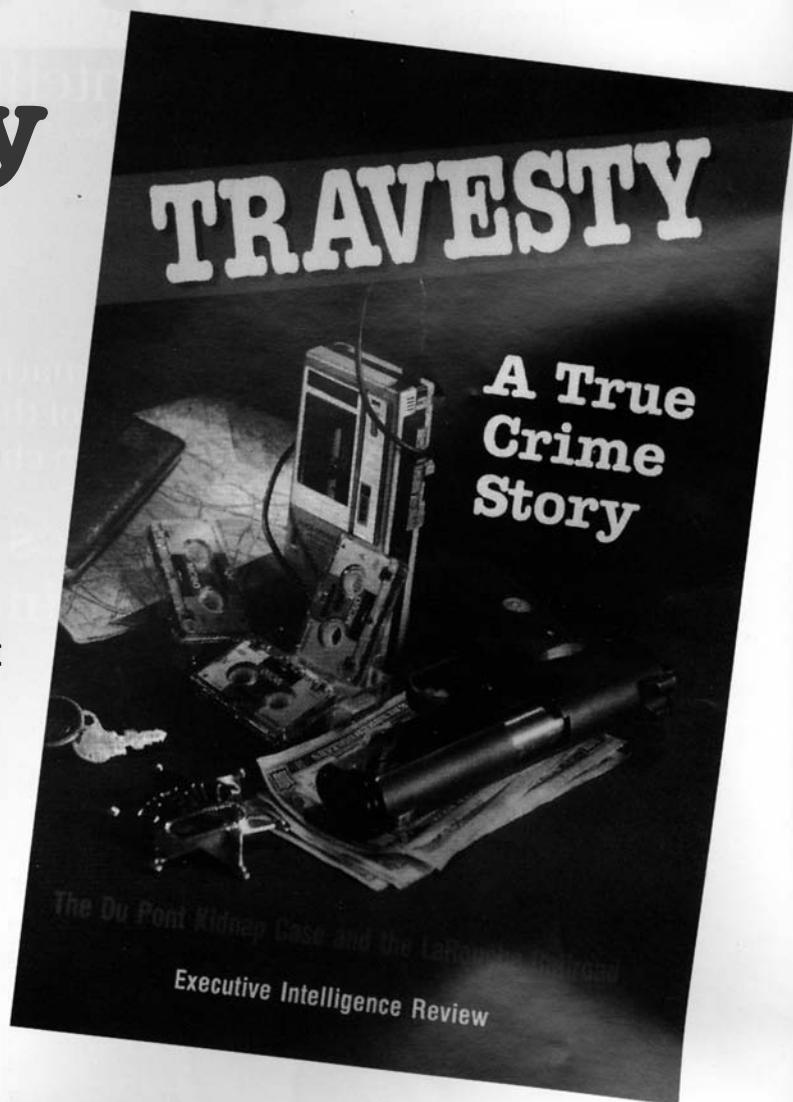
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EIR (ISSN 0273-6314) is published weekly (50 issues) except for the second week of July, and the last week of December by EIR News Service Inc., 317 Pennsylvania Ave., S.E., 2nd Floor, Washington, DC 20003. (202) 544-7010. For subscriptions: (703) 777-9451.

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Japan subscription sales: O.T.O. Research Corporation, Takeuchi Bldg., 1-34-12 Takatanobaba, Shinjuku-Ku, Tokyo 160. Tel: (03) 3208-7821.

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Domestic subscriptions: 3 months—\$125, 6 months—\$225, 1 year—\$396, Single issue—\$10

Postmaster: Send all address changes to EIR, P.O. Box 17390, Washington, D.C. 20041-0390.

From the Associate Editor

On Sept. 19, *EIR* editors released a 116-page *Special Report* on the subject of “Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?” This explosive dossier will certainly do what Lyndon LaRouche promised in last week’s issue: It will make George Bush’s crimes the number-one issue of the 1996 Presidential and Congressional election campaigns. (See *National* for the breaking news developments around this story.)

Commenting on the report’s release to “EIR Talks,” LaRouche praised the investigative journalism of the *San Jose Mercury News*, in pinpointing the role of the Contras in launching the distribution of crack cocaine in the urban ghettos of the United States. But, what the *Mercury News* didn’t have, LaRouche stressed, is the higher-level apparatus. That is what we, at *EIR*, have had for over a decade, because we were engaged in hand-to-hand combat with the Bush people, trying to block their criminal policy.

LaRouche was approached in the spring of 1983, and was asked to help out some people in the National Security Council in setting up the Contra support operation, as a private operation, since it could no longer legally receive CIA funds, under the Boland amendment. LaRouche refused. “I knew *these guys* were our enemies, that these were the drug pushers,” LaRouche said. “I’ve known that George Bush was behind the drug-pushing for a long time: over a decade.” It wasn’t the CIA, although the CIA is culpable for covering up what it knew George Bush was doing. But the kingpin is George Bush.

Elsewhere in this issue, let me draw your attention to the economic analysis of the U.S. consumer market basket. This is the latest in a series of reports on the *real, physical economy*—developing *EIR*’s absolutely unique approach to economic science, which exposes the fraud of those who claim, “The economy is on the upswing.” Our last in-depth study of this nature was in the issue of Jan. 1, 1996, introducing LaRouche’s heuristic diagram of the “typical collapse function” (see this issue, p. 13). Now, we focus on “the bottom line” of that collapse function: the production and consumption of physical goods and vital services, with particular attention to the deterioration of infrastructure and the declining purchasing power of the worker’s paycheck.



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Gingrich-style budget cuts slash Germany's health care

by Rainer Apel

The German government was more than pleased when, on Sept. 13, parliament passed the budget-cutting plan for Fiscal Year 1997, with 341 votes by the ruling parties, against the 331 votes of the opposition. Before the vote, it had not been entirely certain that the plan, which had been much criticized, would receive enough votes to pass, and therefore some members from the three parties in the ruling coalition government were brought in from their hospital beds, to secure Chancellor Helmut Kohl's absolute majority of 337 votes. Thus, the sick among the members of parliament saved a budget-cutting plan that will have a disastrous effect on health care for the sick: More than one-third of the budget cuts, in the range of 26.5 billion deutschemarks (roughly \$16 billion) for FY 1997, will be in the public health sector, and will burden the average German with considerable new mandatory financial contributions to the health care system.

The budget cuts were motivated as necessary to meet the criteria set forth by the authors of the 1999 European Monetary Union scheme, otherwise known as the "Maastricht II Treaty" signed by the European Union (EU) member governments in February 1992, for state debt and public sector budgets. This scheme, which resembles the "balanced budget" insanity that has dominated the Legislative branch of the United States government, demands that for the sake of "monetary stability," state indebtedness must not exceed 3% of Gross National Product.

Against the background of all governments in the EU being heavily indebted, and increasingly so because of the interest that has piled up over the years on top of the principal, governments are undertaking massive budget cuts, in an ill-conceived, self-defeating attempt to reduce new state borrow-

ings. At the same time that the debt continues to be paid, however, the economic depression has reduced the tax base significantly, so that there is an additional hole in the state budget which, under the monetarist doctrine, has to be filled, or compensated, by further budget cuts or tax increases. Governments, such as that of Germany, that have subscribed to this policy, have entered a maelstrom of shrinking revenues and increasing debt service, from which there is no escape. For the Germans, debt service repayments are already the second-biggest item in the state budget, at 20% of the total of the fiscal year budget of DM 450 billion. The DM 90 billion is paid to the creditor banks, while the other budget items are intensely scanned by the budget-cutters for options for more cuts.

The areas hardest hit

The FY 1997 budget puts the main emphasis of the cuts in the social welfare, public health, labor, and pension sectors of the budget. The most spectacular cuts are to occur in the following areas:

- Labor market policy: Here, the protection against being fired on short notice in small firms has been lifted, from firms with fewer than five employees, to firms with fewer than ten employees. This new regulation, which gives smaller firms more flexibility to hire and fire, will affect at least 120,000 workers in 1997 already, the labor unions have warned. With Germany being a nation of many smaller firms in the range of 5-10 employees each, several million workers are affected in this sector of the economy, alone.

Furthermore, paid sick leave, which so far has been equal to 100% of the last regular paycheck for the first six weeks of

illness, will be reduced by 20%, for that period. For periods of illness longer than six weeks, the pay will be reduced from the present level of 80%, to only 70%. This will translate into a net loss of DM 75 per week, for a worker with an average monthly gross income of DM 2,900. For the chronically ill, the situation will be much worse, because they will have a net loss of several thousand deutschemarks per year. For low-income families, this is an unbearable situation.

- **Social welfare and public health:** Time allowed for recovery from an illness will be cut from the current maximum of four weeks, to only three weeks, and the patient's share of the financial costs will be doubled, from presently 12, to 25 deutschemarks per day for western Germans, and from 9, to 20 deutschemarks for eastern Germans. This means an average additional burden of DM 200-400, per person, for three weeks of recovery (recovery time after childbirth, and recovery time for heart patients, are exempted from the new regulation).

- **Pensions:** The retirement age will be raised between the years 2000 and 2004 for women, from the present 60 years of age to 65; for men, between the years 2000 and 2001, from 63 years of age to 65. Early retirement will be allowed, but with a cut in benefits of 3.6% for every pre-retirement year that is taken—which means that if a man retires at age 60, he will suffer a net pension cut of almost 20% for five years until he reaches full retirement age (if he makes it). Pension lobbies have warned that this will reduce the average pension, which now is at 69% of the last regular paycheck, to 61% by the year 2010, and lead to an impoverishment of retired people.

Apart from the immediate effects on elder citizens, the new regulation will also burden the labor market, which so far has benefitted a lot from early retirement, because it freed up jobs for younger unemployed persons. The jobless situation for younger citizens will worsen, as the total of employed Germans will not increase, under present economic policies. But the more jobless there are, the bigger the burden is for the state, which has to pay unemployment benefits of various types. The monetarist-minded government consequently plans to go for deep cuts in the jobless support programs in the course of FY 1997. Because such support programs, like temporary employment or professional re-training courses, play an important role in eastern Germany, to keep half a million Germans off the official jobless roles, any deeper cuts in such programs will cause an increase of the jobless rates, or of social welfare programs.

- **The budget of the Public Transportation Ministry** is the one that suffers most from budget cuts, with DM 5 billion, or almost 10%, in FY 1997. This will have an immediate effect on the construction sector, which, because of the overall economic crisis, is depending more and more on contracts from public-sector-funded projects. Moreover, the FY 1997 cuts also include DM 450 million for housing programs. Up to 80,000 jobs in the construction sector alone, may be affected in 1997, labor union experts have warned. All in all, the Bonn budget cuts for FY 1997 will eliminate at least 200,000 jobs,

and most of these in the productive industrial sector, union leaders have charged.

Based on the cuts, the government expects to "save" DM 8.5 billion in the labor market budget, and another DM 7.5 billion in the public health budget. The new retirement regulations will not have an effect before the year 2001. In addition to the DM 5 billion that will be "saved" in the Transportation Ministry, another DM 5 billion is to be "collected," mainly through cuts in the budgets of the R&D, Economics, and Defense ministries.

The cuts will backfire

The labor unions, which have been unable to stop this austerity package, have warned the government not to grow complacent over its victory, because the budget cuts will soon backfire. Michael Geuenich, a member of the national executive of the German labor federation (DGB), forecast at a press conference in Düsseldorf on Sept. 10, that the austerity package for FY 1997 is certain to cause political and economic damage that will be of such a scope that the government, and many in the parliament who voted for the package, may regret having done so, one day not so far away.

Geuenich warned the government not to underestimate the ferment in the working population, which already twice this year has taken to the streets in DGB-organized protest actions against the austerity policy. The ferment which propelled 350,000 into the streets on June 15, and another 250,000 on Sept. 7, is certain to grow, because of already-leaked government plans to cut another DM 7 billion in the labor and social affairs budget, in FY 1998.

Geuenich also warned about the immediate economic effects of the FY 1997 austerity package: Because there are DM 6 billion in cuts in state investments, the cuts would cause a net loss of 200,000 jobs in 1997. The public sector, an important factor of job security, would be hurt severely.

An increase of the jobless rate on such a large scale is certain to reduce the flow of tax revenue into Bonn even more, and undermine all the so-called budget-balancing, and require new borrowings—and thus would also undermine Germany's compliance with the Maastricht criteria. The policy that by government propagandists claim will meet the Maastricht II criteria, is certain to make Bonn fail to meet those criteria, Geuenich mockingly noted. He charged the government's experts with gross economic incompetence.

Granted, the government's economic experts are incompetent, but it is now the labor unions' turn to prove that they have better economic concepts. A first, cautious hint in this direction, was given by Geuenich in his press conference, when he called for an end to the budget-cutting policy, endorsing an increase of funding, instead, even through new state borrowings, for the 14 priority projects of the European Union for cross-border infrastructure development—which it is expected would instantly employ more than 2 million workers.

'Maquiladoras' come to Poland's villages

by Anna Kaczor Wei

On Sept. 3, German television broadcast a report on German companies using Polish cheap labor in villages along the Polish-German border. The TV crew filmed one border village where trucks full of pen parts arrive regularly from Germany; whole families, including children, pick up boxes with the parts and then assemble the pens at home. Finished pens are taken back to Germany for sale. Other people work sorting tickets for the German lotteries.

The scene is comparable to that along the Texas-Mexico border, where the infamous *maquiladoras* employ Mexicans in virtual slave labor.

According to the report, Polish laborers are paid 4-5 deutschemarks per day, which is approximately one-fifth of what a German worker makes per hour! Even in Poland this is very little (it is 6.4-8 zlotys; for comparison, the Polish-language edition of Lyndon LaRouche's textbook, *So, You Wish to Learn All About Economics?* sells for 10 zlotys)—but people in this area have no other job opportunities, so the choice is between getting small unemployment benefits or social security, and/or working for German companies. This is especially tragic, because western Poland has fertile soil, and could be a strong agricultural area.

However, since the condition of agriculture is very bad, there is a lot of hidden unemployment in the countryside; some families make ends meet only because the grandparents get state pensions. Many people who live in villages used to work in nearby cities; they were the first to be laid off.

The pro-International Monetary Fund (IMF) government has a utopian policy of fighting unemployment in the countryside and enlarging Poland's small private farms (average size, approximately 17 acres) by promoting small local businesses, like food processing. This is not working, because of the collapse of agricultural production and impoverishment of Polish farmers, who have no access to subsidies or cheap credits, and must compete with cheap food imports. Most of the people who live in the countryside (30% of the Polish population) should be employed in infrastructure building and industries, which are shrinking, rather than expanding.

The destruction of agriculture

One can say that the present miserable state of Polish agriculture is a grievous irony, since Polish private farmers

enjoyed some freedom during the 50 years of communist rule, since Poland was the only communist country where 70% of farmland belonged to individual farmers. Their lot was not easy, but in most cases it has not improved since 1989, when the Solidarity governments took power. The insane shock therapy imposed by the IMF, with the help of such individuals as speculator George Soros, Harvard University professor Jeffrey Sachs, and Poland's Leszek Balcerowicz (trained at Harvard), ruined most enterprising farmers who were not afraid to make big investments, take credits, buy new machinery, and modernize production.

Balcerowicz's decision, at the beginning of 1990, to arbitrarily increase interest rates on loans to 90% and more, destroyed those farmers who believed in Solidarnosc leader Lech Walesa's slogan, "Take your fate in your own hands, now everything depends on you," since their income hardly allowed them to pay back such loans. At the same time, the government lifted tariffs on 8,000 commodities, including agricultural products. As a result, for example, American frozen chickens were cheaper than those produced in Poland! The country was flooded with Dutch butter, Ukrainian pork, German cheese, imported apples, and other foodstuffs, while a Polish farmer was told to compete on the "global free market."

According to Prof. Josef Balcerok, who gave a speech at a June 1995 Schiller Institute conference in Warsaw, one of the factors which contributed to the destruction of Polish agriculture, was the government's policy toward state-owned farms. In the frenzy to privatize everything, many such farms were put up for auction: Machinery was sold, buildings fell into ruin, and land, divided into small lots, very often remains untouched to the present day.

According to Balcerok, during 1990-92, investment in all farms fell by 75%, and farmers' income from agricultural production dropped by 60%. Farmers have still not recovered from this shock.

In their desperation, some farmers and farmers' organizations in Poland go for Franco-British financier Jimmy Goldsmith's ideology of "small is beautiful," and try to advertise Polish agricultural goods as ecologically healthy and clean, promoting the fact that the usage of fertilizers and pesticides in Poland is much lower than in western European countries. (As a result, productivity—for example, production of potatoes and wheat per hectare—is 50% lower than in Germany.) Jimmy Goldsmith, a brother of militant ecologist Edward Goldsmith and business partner of George Soros, visited Poland in summer 1995, just after Lyndon LaRouche's visit there, to advertise the Polish edition of his book *The Trap*. Unfortunately, even some politicians representing the interests of farmers in the Parliament, have bought Goldsmith's romantic claptrap about the backward Polish village; however, reality will soon wake them up, as more and more farmers and their families are turned into slave laborers for "the global free market."

South Korea debates nuclear independence versus free trade

by Kathy Wolfe

The Korean Peninsula Energy Development Organization (KEDO), organized by President Clinton for the United States, South Korea, and Japan to build nuclear power plants in North Korea, will soon break ground for the two 1-megawatt nuclear power plants proposed to be built for near Simpo City, U.S. KEDO Ambassador Stephen Bosworth told an international press conference on Sept. 12.

A debate has meanwhile broken out in South Korea over whether to continue British-style free-trade deregulation, as demanded by the Organization for Economic Cooperation and Development (OECD). Deregulation "will lead Korea to the economic disaster seen in Russia today," the dean of a leading Seoul university told *EIR* on Sept. 16.

Ambassador Bosworth opened his talk by announcing that KEDO had recently signed three key protocols with North Korea. These were on diplomatic privileges for foreign nationals working in North Korea, transportation regulations for foreigners traveling to and within the North, and on telecommunications with and within the North. "We're now negotiating two more protocols," he said, "for KEDO's control over the reactor construction site, and terms for services within North Korea . . . especially terms for hiring North Korean workers. . . ."

"We're thus going to be able to physically break ground within the next several weeks," he said. "We'll soon have a significant number of South Korean technicians in place, and we'll be hiring more and more North Korean workers. We'll be constructing first transportation infrastructure, then worker housing, working through the winter to prepare the site for reactor construction in spring." During questions, Bosworth said that KEDO plans to have "several hundred, if not over a thousand North Korean workers" and, eventually, "at least several hundred South Korean engineers."

The project is a big plus for development in the North, providing "an additional 2,000 MW of electric generating capacity, a significant portion of their total," he said. "It's located on the East Coast, the same as North Korea's Rajin-Sonbong industrial zone, and they will want to use the power available for it."

Bosworth also hit efforts to kill the Clinton peace deal by British-led U.S. Republican congressmen, who have slashed the tiny U.S. funds for heating oil for North Korea. "This program is too important to all the governments involved to

fail for lack of money," he said. "In candor, however, we have continued severe financing problems. . . . Fortunately, the Japanese government provided a special financing facility of \$19 million which was vital in bridging our requirements."

Bosworth said that if the impasse between current versions of the House and Senate FY 1996 foreign aid bill is not resolved soon, KEDO (with the rest of U.S. foreign operations) will be operating under a temporary continuing resolution after Oct. 1, with about \$20 million in funds.

Friedrich List revisited

The OECD's demands for financial deregulation prior to South Korea's projected Sept. 26 admission to the OECD, meanwhile, have forced into public the simmering anger among Seoul's elites, against globalization. While President Clinton has sponsored a nationalist approach to development of the North, the British economists of the International Monetary Fund, OECD, and Wall Street have forced harsh measures on the South, which have stunted industry, created a \$20 billion trade deficit, and collapsed the currency.

On Sept. 10, Seoul opposition leader Kim Dae-jung, head of the National Congress for New Politics, denounced the OECD conditions and the idea of early OECD membership. "When your health is deteriorating, it is not good to go out in the cold winter to exercise," he told a party meeting. Kim told a Seoul press conference Sept. 16, "Our economy is now in total crisis. . . . The government's plan to join the OECD should be delayed by two to three years."

Kim Dae-jung has threatened to block the OECD plan in parliament, which must ratify membership, and to demand a national referendum. He would thus make free trade an issue in South Korea's December 1996 Presidential election, in which he will run against the successor of his bitter rival, current President Kim Young-sam. "It's our nightmare" that OECD membership could be stopped by such a movement, said a spokesman for Kim Young-sam on Sept. 11.

Given Kim Dae-jung's long association with the British free-trade economists of the National Endowment for Democracy in Washington, this illustrates a deep shift in the Seoul elites. Many are instead reexamining Friedrich List and other economists of the *dirigist* 19th-century American System, one Seoul official told *EIR* Sept. 16, to plan for a future reunified Korea which has true national sovereignty and energy independence, based on nuclear electricity.

British Korea hand Aidan Foster-Carter, in a letter to the Sept. 10 London *Financial Times*, warned of just such a nationalist backlash. "Why is the OECD giving South Korea such a hard time?" he wrote. "Anyone who remembers the Listian fortress the South Korean economy used to be, must give credit to the present administration for its commitment to globalization. . . . Yet the OECD keeps asking for more. . . . The result is a worrying new development. . . . Opposition parties have been handed a populist issue with which to put the government on the defensive. This can only impede liberalization."

Arabic daily features LaRouches' Silk Road

The London-based Arabic daily *Al-Hayat* featured an extensive report on the Schiller Institute program for global economic reconstruction, in its Sept. 11 issue. *Al-Hayat*, the most widely circulated Arab-language daily in the United States, Europe, Saudi Arabia, and Lebanon, focussed its coverage on Lyndon and Helga LaRouche's proposal for a Eurasian land-bridge and the Schiller Institute's commitment to a "global economic and cultural renaissance," including Mrs. LaRouche's May trip to China. A special section is dedicated to the judicial travesty against Lyndon LaRouche and his associates, and the international effort to have LaRouche exonerated.

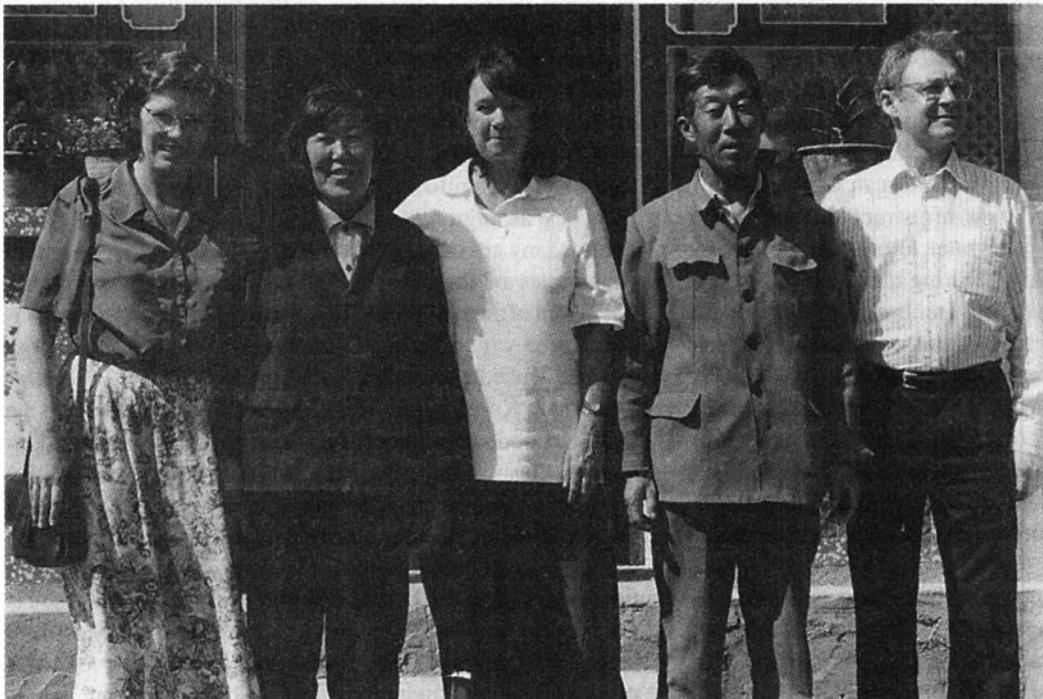
Mohammed Aref, the paper's science and technology editor, introduced the Schiller Institute, in a section titled, "The Silk Road Establishes the Greatest International Economic Bloc to Link the Arabian Region to Asia and Europe." He writes: "To know the publications of the 'Schiller Institute' is like landing on a different planet. Globally accepted scientific conceptions and facts are turned upside down, and the pessimistic 'scientific' forecasts about the future of the Earth are

replaced by optimistic technological projects that turn the world into a paradise for all nations and peoples, without discrimination."

Aref describes the refutation by Schiller Institute publications about issues of "global warming" and "ozone depletion" as "lying mythologies, aimed at controlling the oil, and stopping industrial development in the developing nations." He continues, "The Arab region is the location of the biggest projects advocated by the Schiller Institute, since its establishment in 1984, to revive the Silk Road, which links Asia, Europe, and the Arab world, and establishes the biggest economic-industrial bloc known in history."

He asserts that the Schiller Institute members are the foremost defenders of the right of Third World nations to develop nuclear technology. Referring to the "Oasis Plan" which was "designed by Lyndon LaRouche," he emphasized that "the Schiller Institute revealed that building 10 units of new and safe nuclear reactors can provide desalinated water equalling the production of both the Tigris and the Nile combined. . . . A small number of these reactors is sufficient to produce electric and heat power, to desalinate enough water to meet the needs of 1 million inhabitants, living in agro-industrial oases in the middle of the Arab desert."

Aref describes Lyndon LaRouche as "the spiritual father of the institute," who "asserts that mankind today stands between two choices: reconstruction of the world through major infrastructure projects linking the continents of Asia, Europe, and Africa; or, an international fascist dictatorship controlled by the rich G-7 [nations]. Reconstruction of the world brings mankind into an age of a new economic and cultural Renais-



Helga Zepp LaRouche (center) during a May 1996 visit to a farming village in Hebei Province, China.

sance, for all peoples and all nations, and opens the way for planetary colonization of Mars and the Moon, in the year 2025.”

“The most imagination-provoking project,” he said, “was presented by Helga Zepp LaRouche, chairman of the Schiller Institute, in the Chinese capital. This project aims at building a network of railways, man-made rivers, and lake systems and canals, linking the Arab region with productive triangles extending from the Pacific Ocean in China, to the Atlantic Ocean in North Africa. Networks of high-speed trains floating on ‘magnetic’ fields, tunnels under the seas and mountains connecting Asia, Europe, and the Arab world.” He emphasized that she laughs at the fact that Western media black out these projects, “which would change the course of history now.”

‘Why was he put in prison?’

On the judicial persecution of LaRouche, Aref reports: “On March 15, 1995, the *Washington Post* published an open letter to the U.S. President, calling for the exoneration of American economist Lyndon LaRouche. The letter, which occupied a full page, included the signatures of 1,000 Congressmen, federal, state officials and parliamentarians, from most countries in West and East Europe, South America, Egypt, Algeria, Jordan and Iraq. The letter explained that Lyndon LaRouche is a political prisoner, that his juridical persecution was based on lying accusations, concocted by government authorities in the U.S., and that he received a 20-year prison sentence, during his 1988 Presidential campaign. After five years in prison, the U.S. administration decided to release him in 1994, but he has not been exonerated up to this point. The signers of the letter called for reviewing the documents prepared by an independent juridical committee which proves his innocence, and that of his five associates, from all the charges raised against them.”

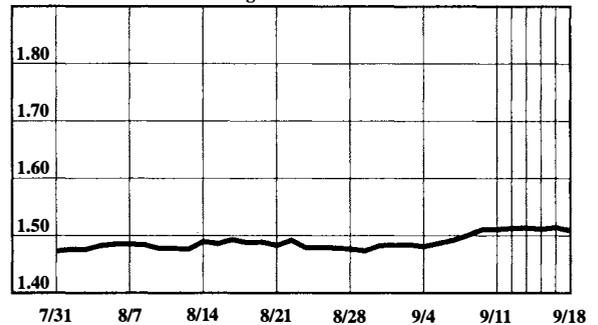
Aref lists the groups and people whom LaRouche considers both his enemies and enemies of mankind: “The Greek philosopher Aristotle, whom he regards as an enemy of mankind; Isaac Newton, whom he accuses of plagiarizing the works of others; the economist Adam Smith, whom he calls worse than an animal; and the British philosopher and mathematician, Bertrand Russell, whom he calls a bat of darkness; leading environmentalist organizations and personalities, especially the chairman of the World Wide Fund for Nature, the husband of the British Queen Elizabeth, Prince Philip, of whom LaRouche asked in a Washington conference address: ‘How many people should you kill for the sake of the environment?’; George Bush, whom LaRouche finds pleasure in making a joke of on any given occasion; the former British Prime Minister Margaret Thatcher, he calls a ‘stupid, foolish fascist.’

Aref referred to LaRouche as describing himself as “an economist of the type of Gottfried Leibniz, who sees no contradiction between faith and reason.”

Currency Rates

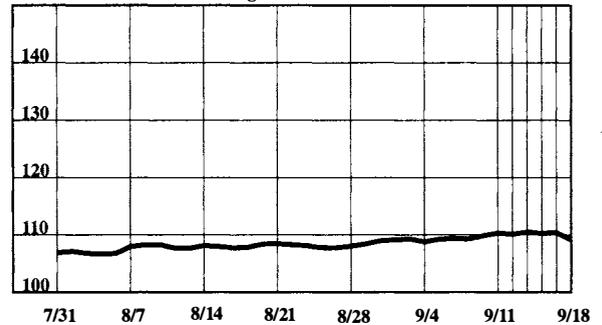
The dollar in deutschemarks

New York late afternoon fixing



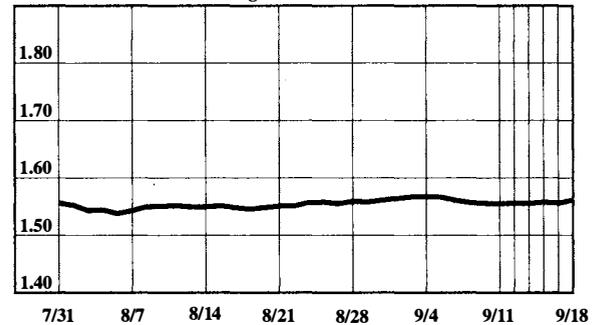
The dollar in yen

New York late afternoon fixing



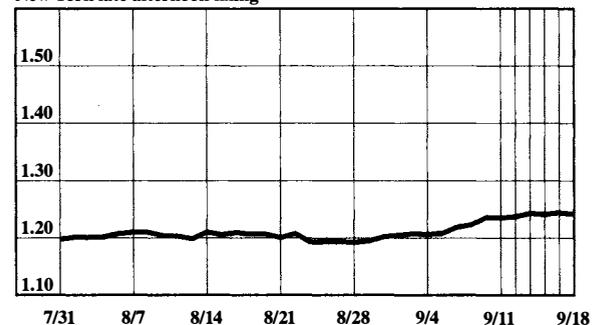
The British pound in dollars

New York late afternoon fixing



The dollar in Swiss francs

New York late afternoon fixing



Business Briefs

Ukraine

London set to grab choice industries

London's Transworld Metals (TWM) is positioned to take over key Ukrainian industries, including Ukraine's Mykolayiv Alumina Factory (MGZ), in the coming privatization. MGZ supplies almost half the raw material for the world's largest aluminum smelters, located in the Siberian cities of Bratsk and Krasnoyarsk.

With Anglo-Dutch financing, and a base in the London Metals Exchange, TWM replaced the Soviet central planning and trade institutions after the 1991 breakup of the Soviet Union, pre-financed alumina shipments, and rented the factories, emerging with substantial ownership stakes in the Russian factories. Now, the Ukrainian government of Leonid Kuchma, under the watchful eye of international speculator George Soros, is sabotaging efforts of MGZ management to keep control, and is throwing open bids to foreign investors such as TWM.

In 1995, MGZ had been a key element in efforts to break TWM's control over the Russian smelters. MGZ restricted sales to Bratsk in an effort to break TWM's (the majority shareholder) hold. Five or six Russians involved in this and similar efforts were murdered in 1995, the answer of the Anglo-Russian faction behind TWM. Now MGZ itself, one of Ukraine's most profitable companies, is to be sacrificed to Western hot-money vultures. TWM is operating behind a Liechtenstein company, Thermosyntex, which has taken 30% in Ukraine's largest fertilizer producer, Cherkassy.

Trade

Iran expands economic ties with Armenia

Senior Armenian officials and Iran's Deputy Foreign Minister Mahmud Vaezi, who was on a visit to Armenia, discussed plans to expand bilateral trade and economic cooperation, the *Monitor* reported Sept. 12, based on reports in the Iranian IRNA news agency.

The plans include construction of an Iran-Armenia gas pipeline and high-voltage electricity transmission lines, Iranian investment in upgrading Armenia's rail and road network, and a trilateral agreement on the transport of gas from Turkmenistan to Armenia via Iran as part of a three-cornered clearing arrangement among these countries. Armenian Trade Minister Vahan Melkonian, co-chairman of the bilateral Economic Cooperation Commission, declared that the relationship was a "top economic priority" for Armenia.

Iranian Vice President Hassan Habibi is scheduled to visit Armenia shortly. According to the *Monitor*, the link to Iran has become crucial, providing a critical route for Armenia to the outside world. Armenia's trade and communications are restricted by Azerbaijan and Turkey on one side, and by the interrupted rail and road links to Russia across Georgia, on the other.

Infrastructure

World Bank tells Asian countries to privatize

The World Bank's senior operations adviser for East Asia and the Pacific Region, Harinder Kohli, told Asian governments to rely on the private sector to finance infrastructure, in an interview with Reuters in late August. The emphasis on private financing has emerged as a major ploy of the revived British Empire, to block infrastructure development.

"In future, infrastructure must be treated as a business and not as a public sector," Kohli said. "Governments cannot rely on the public sector alone, because it has neither the necessary financial nor managerial resources." To back up this proposition, the World Bank sponsored a meeting of 100 public and private sector representatives in Jakarta, Indonesia in early September, "to find out why . . . attracting the private sector has been very limited."

The World Bank estimates that East Asia will need to invest \$1.2-1.5 trillion in infrastructure over the next decade, with rates of annual expenditure rising from \$75 billion to \$200 billion in the early years of the 21st

century. But, Kohli said, "that's not easy to do when governments are also trying to cut deficits and spending."

His solution? Privatize. Governments simply don't understand what the private sector will accept as a fair rate of return on investment, he said. "Most governments view private sector participation as meaning financing, but in reality, those countries that have been most successful, such as Chile, bring in the private sector to increase efficiency and competitiveness," such as running the government pension plan.

Governments also don't understand "acceptable risk," Kohli said. What East Asia needs are the debt capital markets to provide the long-term financing for infrastructure.

Nuclear Energy

Brazil's nuclear program is revived

The government of Brazil has decided to complete its second nuclear power plant, Angra II, which has been in limbo for several years, according to wire reports on Sept. 4. The decision contrasts sharply with the international trend of destruction of nuclear energy.

According to Guillermo Camargo, head of the Brazilian Association for Nuclear Energy, the decision to finish Angra II "is symbolic in this sense: The country is reinaugurating its nuclear program in full force, a program for generating electric energy through nuclear power plants as sources of energy produced nationally." The plant is scheduled to begin operation in 1999, and will raise the country's energy capacity to 1,300 megawatts. The plan is then to transfer Angra II's technology to a third nuclear plant, Angra III.

Klever Cosensa, manager of the mononuclear generation at Angra II and III, explained that financial problems prevented the government from proceeding with the original goal of the Brazilian Nuclear Program, which was to install eight nuclear power plants before the year 2000. But now, he said, the government is ready to resume the plan to achieve nuclear self-sufficiency,

as well as control of the complete nuclear fuel cycle.

Ronaldo Sardenberg, Brazil's secretary for strategic affairs, told *Nuclear Brazil* magazine that the budget for the National Committee for Nuclear Energy increased from \$13 million in 1992, to \$42 million in 1995, and the budget for Nuclear Industries of Brazil increased from \$21 million in 1992 to \$42 million in 1995. "For a country like Brazil, which expects to be among the international competitors, it is important to emphasize the development of science and technology," he said.

South Asia

Bangladesh, India to restore rail, water ties

Bangladesh will restore rail service to its southwest border for transporting goods to and from India, officials in Dhaka, the capital of Bangladesh, said, wire services reported Sept. 11. The rail link has been suspended since the 1965 war between India and Pakistan. Also, on Sept. 7, it was announced that India and Bangladesh would end their decades-long dispute on sharing water from the Ganges River, and they expect to reach an agreement by December.

Bangladesh officials noted that the 21-mile rail link between the southwestern district of Jessore to Benapole was expected to be opened in May 1997. The Bangladesh Railway is trying to arrange the \$6 million needed for buying sleepers and repairing the signal system, they said. The link will facilitate direct rail links between the Bangladesh port city of Khulna and Calcutta, capital of India's state of West Bengal.

The plan to revive the rail link comes amid speculation that Bangladesh's new government under Prime Minister Sheikh Hasina may accept New Delhi's plea for a land transport route through Bangladesh, which would serve India's isolated northeastern states. A railway official said the state-run railway would turn a profit if it was allowed to carry Indian goods. He estimated that two trains running daily between West Bengal and India's northeastern state of Tripura through Bangladesh, would earn Ban-

gladesh Railway at least \$15 million a year. The official added that with the Calcutta port facing silt problems, the Jessore-Benapole link would encourage traders from both India and Nepal to use Bangladesh's second sea port at Mongla, near Khulna.

Czech Republic

Banking collapse hurts Mont Pelerin's Klaus

On Sept. 17, the Czech Central Bank put Agrobanka, the fifth largest bank in the Czech Republic, into "temporary receivership," in order to prevent a run on the bank. This is the twelfth bank in the Czech Republic which has collapsed or had to be rescued by central bank intervention in the last three years. According to the Austrian daily *Die Presse*, the wave of banking collapses "has shocked the Czech people." Prime Minister Vaclav Klaus, a darling of the free trade Mont Pelerin Society, emphasized in a radio interview that, in the end, the taxpayer will have to make good for all the losses.

Agrobanka, the largest fully privatized bank in the Czech Republic, was controlled since the end of last year by the dubious investment fund Motoinvest, which had bought up a large number of privatized Czech companies during 1995 and 1996. Motoinvest was closely linked to Kreditni Banka, the bank that collapsed earlier this year after losses of about \$440 million. Over Sept. 14-15, the Czech police had arrested an executive of Motoinvest, who is also a member of the Agrobanka supervisory board, as well as three Kreditni Banka managers. The Motoinvest general director, Tykac, has left the country, because he feared for his life, he stated in a letter.

According to the German daily *Frankfurter Allgemeine Zeitung*, Czechs are close to panic. It quoted President Vaclav Havel, who recently said that the "cancer" inside the Czech banking system has to be cut out. The head of the Social Democrats, Zeman, has called for a parliamentary commission to investigate "who is stealing the taxpayers' money." Obviously, Zeman stated, all the much-praised "reform successes" are nothing but "Potemkin villages."

Briefly

CHINA'S elimination of tariff-free privileges in April for foreign investors increased revenues 20.2% for the first half of the year, *China Daily Business Weekly* reported Sept. 2. It said that capital inflow was not reduced, and that tariff revenue also rose "markedly."

IRANIAN and South African experts "are working on an important project on natural gas, and the two countries will sign a memorandum of understanding," Iranian Oil Minister Gholamreza Aghazadeh told the *Teheran Times* Sept. 7. Iran supplies 70% of South Africa's crude oil.

THE ASIAN Development Bank said Sept. 10 that it had approved a \$52 million loan to Laos to finance a hydropower project. The \$112 million project will have a capacity of 60 megawatts, and will generate 215 gigawatt-hours of energy per year upon its completion in 1999.

THE GERMAN Reconstruction Bank will open a special credit line for projects in China, the *Berliner Zeitung* reported Sept. 8. The plans were announced in the context of the Sino-German industrial exhibits in Beijing the week before. It is to especially support investments by middle-sized German firms, preferably in joint ventures with Chinese firms.

CAMBODIAN Prime Ministers Ranariddh Norodom and Hun Sen have decided not to cut 1 in 10 public service jobs both this year and next, the *Phnom Penh Post* reported Sept. 9. The International Monetary Fund is demanding that 135,000 soldiers, police, and other civil servants be eliminated, despite the war with the Khmer Rouge and the drug war.

MALAYSIA will sell its national railway system to private investors for \$799 million, the Sept. 12 *International Herald Tribune* reported. Renong Bhd. will own 50% of a joint-venture company, and two others, including Bolton Properties, which specializes in "property development and finance," will own the rest.

U.S. consumer market basket shrinks to the crisis point

by Richard Freeman

Official Washington, D.C. has proclaimed that the U.S. economy is at the strongest level in a decade, growing at the rate of 4.8%, and that since January 1993, nearly 11 million new, mostly high-paying jobs having been created. There is a daily mantra in financial circles about how fast the economy is growing.

This is dangerous nonsense. Since the late-1960s, America's real physical economy has actually been contracting at the rate of 2% per year. The United States, as well as the world economy, is careening toward the worst economic-financial disintegration in 500 years.

Speaking in Monroe, Louisiana, on Sept. 9, economist Lyndon LaRouche summarized the true state of the U.S. economy: "If you measure things . . . in physical terms of the economy—you take the market basket of these things required not only for households, [but also] for infrastructure, such as water systems, rail systems, power systems, investment in agriculture, that is, the capital improvement of land, manufacturing, the percentile of the labor force which is productively employed—you come up with a calculation that says that the average person who is working today, *is receiving a household market basket about half that a person in the same occupation would have received 25 years ago. There's more money, but in terms of purchasing power, we're about half of*



"The average person who is working today, is receiving a household market basket about half that a person in the same occupation would have received 25 years ago," states Lyndon LaRouche. "There's more money, but in terms of purchasing power, we're about half of what we were." For the elderly person on a small fixed income, the declining purchasing power of the dollar is nothing short of disastrous.

what we were" (emphasis added).

The characteristic of which LaRouche speaks is the subject of this *Special Report*. Rejecting all monetary expressions as incompetent and misleading, *EIR* measures the U.S. physical economy, as well as "soft" infrastructure like health care and education, in magnitudes expressed per capita, per household, and per hectare of land. As an operational focus of this report, *EIR* put special emphasis on the purchasing power of an average worker's paycheck. Among the report's conclusions:

- Since the mid-1960s, the "consumer market basket" of essential goods, services, and infrastructure fell by half, as expressed on a per capita, per household, and per hectare basis. America cannot produce its own physical existence.

- As compared to the level half a century ago, the ratio of the productive and infrastructure workers to the total labor force, has fallen by half. As a result, during this period, manufacturing and agricultural output potential plunged. A society must produce goods, before it can consume them. Lawfully, the level of consumption tumbled.

- In 1996, it took three paychecks from three full-time jobs, to equal what one paycheck of a single manufacturing worker provided to a household in the 1950s. This is because the purchasing power of a single paycheck, to buy essential consumer items, fell by 40-80%, depending on the item. At the same time, the single wage-earner, who provided sufficient income for a family, became virtually extinct.

- Food prices of non-processed essential items, which had been declining relative to your paycheck, have now been rising sharply, with a loaf of bread going up 45% since 1990, and butter up 50% just since 1995.

- The quantity and content of hard and soft infrastructure have deteriorated greatly over the last 30 years. The network of water supply and distribution, providing clean and abundant water to agriculture and industry, as well as for drinking and personal hygiene, has fallen apart. Water withdrawals for industry decline, while water mains rupture. The air and rail transportation grids are in disarray. The amount of railroad miles operated, per household, has fallen 73% since 1950, and the average age of America's aircraft fleet has risen from 4 years in 1970, to 14 years today. The problem is typified by ValuJet Airlines. Various forms of soft infrastructure, including education and hospital service, have fallen apart.

This report puts a special emphasis on infrastructure. Next to the generation of discoveries respecting matters of fundamental scientific and epistemological principle, infrastructure is

the most important element in an economy. Yet, economists and politicians leave infrastructure out of account, and the Nazi "Contract on Americans" crew is trying to slash it further.

EIR's economic record

This "market basket" report is a continuation of ongoing *EIR* economic studies, which started when Lyndon LaRouche, working on his own, did his first economic forecast in the autumn of 1956. Over the next 40 years, LaRouche made nine forecasts, each of which has been confirmed in timely developments. LaRouche made his Ninth Forecast in the summer of 1994 (see *EIR*, June 24, 1994, "The Coming Disintegration of World Financial Markets"). Here, LaRouche forecast a global financial disintegration, which is now in process.

One of *EIR*'s most important studies, from which this report draws, was presented in early 1995, when we refuted the National Association of Manufacturers' study, "Making It in America" (*EIR*, April 14, 1995, "NAM's 'Renaissance' of U.S. Industry: It Never Happened"). *EIR* showed that the percentile of the U.S. workforce engaged in producing the market basket of consumer necessities would have to be doubled from what it was then, to provide for consumption requirements. (*EIR* is preparing an updated version of this report.)

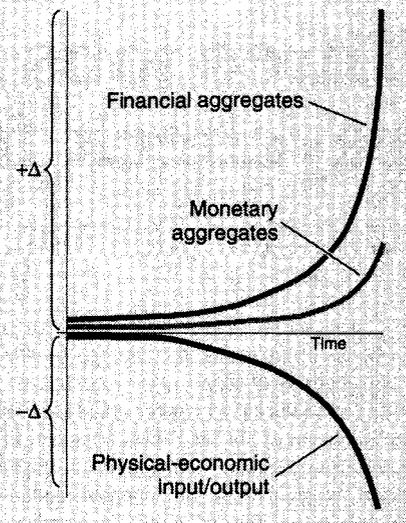
In preparing the present and other studies, *EIR* draws on a wide variety of reports by government agencies and industry associations, which are in the public domain. We rely on physical parameters, and reject monetary values. Where we compare paychecks with costs of goods, we are not concerned with dollar terms as such, but rather the ratios, representing purchasing power.

The accuracy of the LaRouche-*EIR* forecast and analysis stems from its underlying method. It rejects Gross Domestic Product, and focusses on what actions lead to an increase in man's potential relative population density. The consumer market basket is not a random assortment of goods. Rather, from the standpoint of true economics, man must consume an increasing quantity of goods and services, of a constantly rising quality, so that he can make a positive, improving contribution to this process of economic growth. The consumer market basket is a scientifically determined spectrum of goods. It includes decent housing, nutritious food, superior health care, plentiful clean water, and so forth.

The 'post-industrial' society

What has led to the breakdown in the U.S. economy, is the British oligarchy's imposition of the policy of the Malthusian

FIGURE 1
A typical collapse function



post-industrial society during the 1960s, following the murder of President John F. Kennedy. Under this policy, speculation flourished, while manufacturing and agriculture withered. A cancerous speculative financial bubble took over.

In December 1995, LaRouche represented this process, both in the United States and worldwide, with the typical collapse function shown in Figure 1. The top curve shows the financial aggregates, led by derivatives, collateralized mortgage obligations, currency trading, and the like; they have grown at a hyperbolic rate since the mid-1980s. The middle curve represents the money supply, which the central monetary authority, in the case of the United States, the Federal Reserve System, has been pumping up, to prevent the financial aggregates in the first curve from deflating and ushering in a financial breakdown. The lower curve represents the physical economy, which is not rising, but falling. The rates of return and debt on the financial and monetary aggregates are supported by sucking the lifeblood from the real economy, and from the population's living standards.

This article concentrates on the third and most crucial curve, the one that sustains all human life. A March 1996 Federal Reserve Board study confirmed that the top 10% of American households own two-thirds of all of American wealth. Yet, the condition of the bottom 80% of households is collapsing. The United States cannot continue with a 50% fall in the consumer market basket. This report is a call to action, to dump the post-industrial policies that have created this condition.

Three jobs today equal one paycheck from the 1950s

by Richard Freeman

The decline in U.S. living standards is such that today, the average worker must hold down three jobs to earn what a manufacturing worker could earn in one job in the 1950s and 1960s. This loss of purchasing power is symptomatic of the overall breakdown in the American economy, and reflects the destruction of America's productive labor force.

Figure 2 depicts the downward transformation of the U.S. labor force during the half-century from 1947 through March 1996. The composition of the labor force is an essential indicator of the direction of an economy. As a benchmark for an economy that "worked," the mid-1960s economy had 50% of the workforce employed in productive jobs (manufacturing, infrastructure-related, and so on), and the rest in various kinds of overhead. Today, with far less than 50% of operatives employed in productive or infrastructure-related activity, the economy is saddled with such a high percentage of overhead, that its profitability is being undermined—a situation which cannot long continue.

The correlative to this, not accidentally, is that productive jobs in manufacturing, construction, and so forth, are the best-paying—outside of the ludicrous salaries paid to yuppies, who speculate on Wall Street, which represents a net drain on the economy. This principle of economics, that a higher-skilled, better-educated workforce is more productive, and must be better paid, was championed by Benjamin Franklin in his 1780s pamphlet "Reflections on the Augmentation of Wages, Which Will Be Occasioned in Europe By the American Revolution" (see *The Political Economy of the American Revolution*, 2nd edition, by Nancy Spannaus and Christopher White, Editors, [Washington, D.C.: Executive Intelligence Review, 1996]).

Physical economy is based on creative reason, which increases man's mastery of nature, producing an increase in the rate of

potential relative population density. It involves the process by which the human species reproduces itself, culturally and materially, at increasingly higher rates. Man employs science to offset the depletion of "natural resources," which occurs when a society continues too long in a given technological mode of production. The passing from the wood-burning age of man's industry presented no problem, since man invented the heat-powered machine, which relied on coal, and later developed nuclear power, representing a higher energy-flux density, level of scientific development, and power to transform nature.

But each advance in the scientific matrix of the economy requires an upgrading of the educational and skill level of the labor force, to enable it to utilize the new technology. This requires an increase in the family consumer market basket, in order to rear, nurture, and educate the next generation of workers with a higher intellectual and scientific level than the preceding generation.

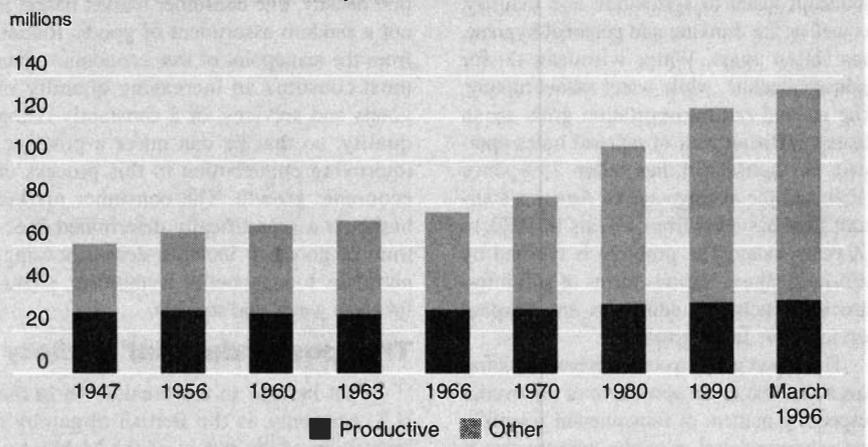
The British oligarchy's imposition in the United States of the post-industrial society

policy, following its murder of President John F. Kennedy in November 1963, changed this economic policy that had characterized America's best periods of economic development from 1630 through 1960, a policy which built the nation. Since scientific and technological progress was to be halted, there was no need, according to this "post-industrial doctrine," to maintain a productive labor force or to advance living standards.

The composition of the workforce

To analyze an economy, the labor force is broken down into three segments. First, the productive labor force consists of operatives employed in manufacturing, construction, farming, mining, public utilities, and transportation. "Productive" signifies the direct alteration of nature through labor, in order to increase the rate of potential relative population density. Second is the nonproductive labor force. This in turn is broken down into 1) the "essential" labor force, consisting largely of workers in "soft" infra-

FIGURE 2
Size of U.S. labor force, 1947-96



structure, such as medicine, education, and useful engineering; and 2) workers who are neither productive nor essential, and are characterized as overhead.

We look in this section at the breakdown of the productive labor force as a percentage of the total labor force. We also document the fact that the economic collapse has made it impossible for a single worker to support a family. This is part and parcel of the destruction of the family unit.

The fact that a family has to hold down 2 to 4, or sometimes even 6 or 7 jobs, in order to maintain a necessary standard of living, has a huge social impact. If a woman wants to work, that is her right. But most women who have entered the labor force en masse since the 1970s especially, have not done so voluntarily, but in an attempt to hold up a collapsing family income. The result has been the fragmentation of the family and a severe drop in the birthrate and family formation, to the point that America can no longer biologically reproduce itself.

We first discuss the composition of the labor force, and, in the section that immediately follows, we discuss the fall in the consumer market basket, which has caused the disappearance of the single-wage-earner household.

Productive labor force shrinks

In Figure 2, the darker portion of the bar represents the combined productive and essential infrastructure workers of the labor force. Notice that the height of this portion of the bar remains the same, even as the height of the overall bar more than doubles.

In 1947, America's labor force had 60.9 million workers. Of this total, 47.2% were in productive or essential (mostly infrastructural) employment. (It should be noted, that we are counting as productive only the production workers in manufacturing, agriculture, construction, and so on.) By March 1996, America's labor force had grown to 133.7 million workers, much of this growth occurring as women entered the labor force in the 1970s and 1980s. But productive-infrastructural employment had shrunk to 26%, a near-halving of the percentage of the labor force engaged in production and infrastructure.

Thus, during the past half-century, the U.S. labor force more than doubled. Yet of the increase of 72.8 million workers since 1947, 66.8 million workers (90%) entered work-employment in areas that are overhead. Of the remaining increase of the labor force, the number of workers in infrastruc-

ture grew by 6.4 million, and productive workers actually declined by 400,000, for a net increase of 6.0 million workers. So, today, 74% of the labor force is overhead, and only 26% of the labor force consists of productive and essential workers (see Figure 3).

Conceive of America, for a moment, as a single, integrated agro-industrial firm. A company with three overhead workers relative to each worker who produces something, will destroy itself. The shift in this ratio, toward ever-higher levels of overhead, is the overriding reason that tax revenues have lagged and that, therefore, federal and state budgets are unbalanced.

But another result of this trend has been a collapse in production itself. Back in 1947, roughly for each productive-infrastructure worker, there was a worker in overhead. That meant that each productive-infrastruc-

ture member of the labor force had to produce goods and infrastructure services to support two families—his own and the family of someone engaged in overhead. Today, that has radically changed, such that each productive-infrastructure worker is called upon to produce enough for four families: his family and the families of three overhead workers. With 2.6 persons per American household, on average, the productive-infrastructure worker must produce enough to support 10.4 people. Were productivity levels rising because of the introduction of new technology, that might be possible, but the policy of the post-industrial society forestalled most technological advance. The goods simply aren't there. Even imports cannot adequately make up for the missing production.

The degradation of productive output, simultaneous with the devolution of the

FIGURE 3
Productive compared to non-productive labor force
percent of total labor force

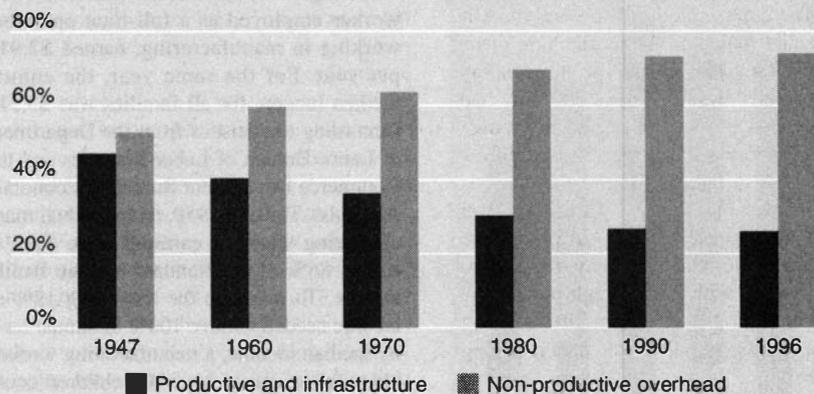
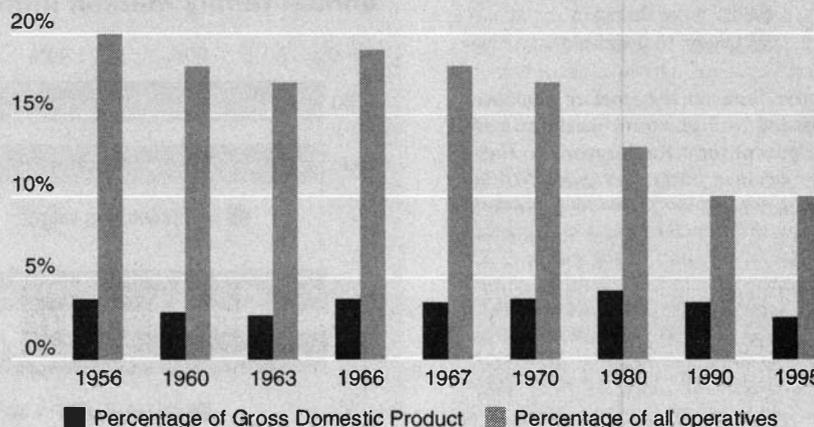


FIGURE 4
Manufacturing investment and employment



labor force, is encapsulated in the case of manufacturing, which is shown in **Figure 4**. Manufacturing produces the vast majority of all intermediate and finished industrial goods in the economy. The right-hand bars show manufacturing production operatives as a percentage of the total labor force. In 1956, one out of every five U.S. workers was a manufacturing production worker. By 1995, that had been halved, to only 10%.

The left-hand bars represent manufacturing's new dollar expenditures in productive investment in plant and equipment, expressed as a percentage of Gross Domestic Product. To replace worn-out machinery and to technologically upgrade for the future, is a critical parameter, indicat-

ing what faith manufacturing puts in its own future and that of the economy. As such, it is a measure of manufacturing's capital intensity. In 1956, manufacturing's monetary investment in new plant and equipment was equal to 3.7% of the U.S. economy's GDP. It held at that level until 1980. Today, it is one-third lower than in 1956.

The pattern in manufacturing, with respect to the collapsed productive employment and capital investment, is similar in the cases of agriculture, mining, construction, and hard infrastructure (such as transportation, water management, and power production and distribution).

The extinction of the single-wage-earner family

The British oligarchy's post-industrial society not only created a cancerous speculative bubble, but it also unleashed the sex-rock-drug counterculture. These processes undermined the family, culturally and economically, making the single-wage-earner family extinct.

In **Figure 6**, one can see that in 1950, a worker employed as a full-time operative working in manufacturing, earned \$2,916 per year. For the same year, the annual median income for all families was \$3,319 (according to statistics from the Department of Labor Bureau of Labor Statistics and the Commerce Department Bureau of Economic Analysis). Thus, in 1950, an individual manufacturing worker's earnings were equivalent to 88% of the standard median family income. To make up the remaining 12% of income needed to have 100% of annual family median income, a manufacturing worker, his wife, or one of his older children could work part-time jobs, for five hours or less

per week. While a 1950 median family income did not permit a family to pursue the high life, it enabled the family to support 3.5 children, on average, and thus, it supported a family of 5 to 6 people adequately—indeed, at a higher standard of living than today. Such an adequate wage was provided to many other categories of productive workers, such as miners and construction workers.

By 1995, a single manufacturing worker's annual wage had deteriorated relative to its purchasing power of 1950. At \$25,709 per year, it only provided 65% of the median family income of \$39,500. This left the family \$13,300 short of the median family income, meaning that a second person, or the wage-earner, had to work a second job, of 25 to 40 hours per week.

However, consider the case of the retail worker, which is also presented in **Figure 6**. The retail trade includes flipping hamburgers at McDonald's, a low-skilled job at Wal-Mart, and so on. In 1950, the retail worker's annual wage of \$2,208 constituted 67% of the annual median family income; yet, today, that same retail worker's annual wage, at \$11,088, constitutes only 28% of the annual median family income of \$39,500.

Since 1980, the number of manufacturing jobs has contracted by 2 million, and new jobs created in the economy over the past two decades have been almost exclusively in retail or low-paying services. Thus, today, if a husband and wife, between them, hold down three full-time retail jobs, that is, each is working 50-60 hours per week, their income would still only equal 84% of the median family income (three times 28% equals 84%), leaving them 16% short.

FIGURE 5
Machine tools in use, by age

millions of units

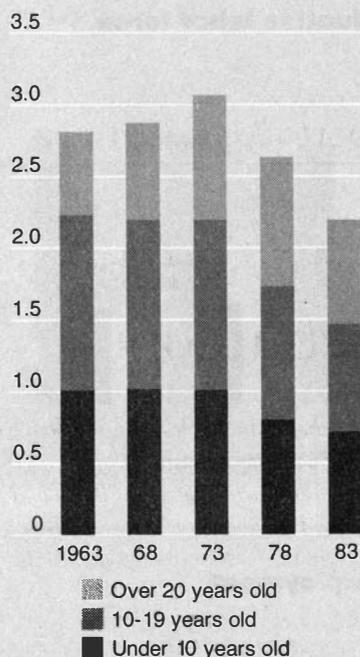


Figure 5 shows the stock of machine tools that are in use in factories and workplaces throughout America. They have become fewer and older. While this is part of the producers' market basket, still, machine tools are crucial for the functioning of the entire U.S. economy. In 1963, 21% of machine tools were over 20 years old. In 1983, 33% were over 20 years old. Whereas in 1973, America's workplaces used 3.07 million machine-tools, by 1983, that number had shrunk to 2.19 million.

FIGURE 6
Manufacturing and retail yearly wages, compared to annual family median income, 1950 and 1995

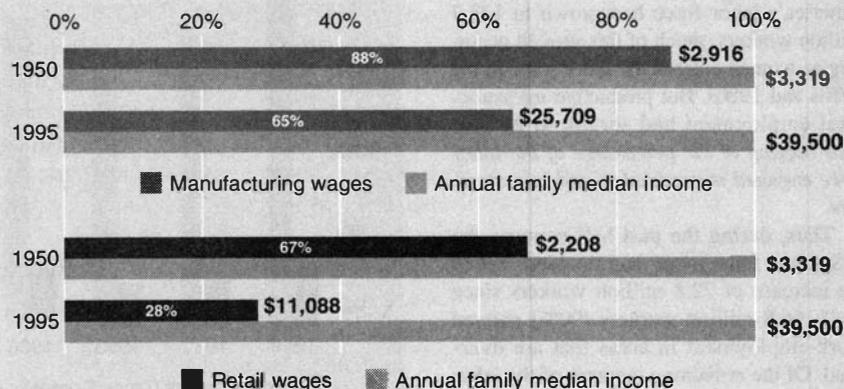
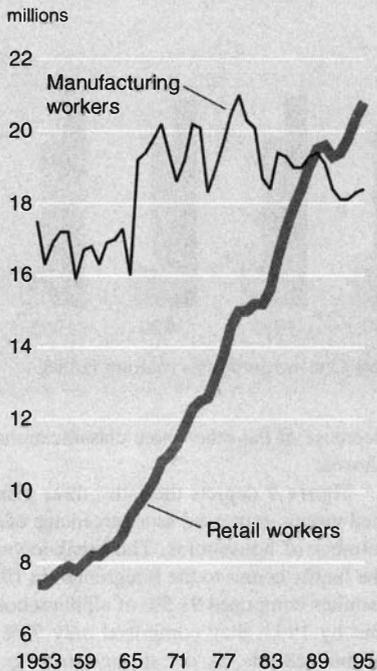


FIGURE 7

Retail employment surges as manufacturing employment declines



Moreover, if they worked three full-time retail jobs, they would earn less than the 88% share of median family income that a single manufacturing worker earned in 1950. So, for comparison, *it takes three full-time retail jobs today to earn less than what a single manufacturing worker earned, in 1950, relative to the annual median family income.*

Figure 7 shows the manufacturing and retail trade employment pattern for 1953 through 1995, which says quite a bit about the falling income levels of the population. In 1953, there were nearly two and one-half times the number of manufacturing workers as there were retail trade workers (17.5 million versus 7.4 million), a healthy ratio. But the post-industrial devolution of the economy produced a surge in the retail trade, such that, in 1995, there were 20.8 million retail workers versus 18.4 million manufacturing workers. (And of the 18.4 manufacturing workers in 1995, only 12.7 million were production operatives; the other 5.7 million were non-productive workers working in the industry.)

These 20.8 million retail workers constitute one out of every 6.5 workers in the U.S. labor force. Their average wage, at \$11,088 per year, is \$4,000 below the poverty line

New segment of U.S. workforce: prison labor

One of the fastest-growing sectors of the labor force is the 1.6 million Americans now incarcerated in our jails and prisons. The number of Americans in prison grew by 6.8% between 1994 and 1995 and has tripled since 1980. Americans are now incarcerated at the highest per-capita rate of any nation which reports reliable statistics. Russia is second.

In the 1996 Presidential primary season, the use of prison labor became a key issue when Sen. Phil Gramm (R-Tex.) told the National Rifle Association's annual convention, "I want to turn every federal prison in this country into a mini industrial park." Even Adolf Hitler was not so blatant in his use of prison labor for the Nazi war machine. A win by the Conservative Revolution in November 1996 would virtually guarantee the rapid expansion of this policy.

The National Institute of Justice, a part of the Office of Justice Programs under the U.S. Department of Justice, recently published a report titled "Work in American Prisons: Joint Ventures with the Private Sector," whose purpose is to promote the use of prison labor by the private sector. The report documents how, since 1979, when federal legislation was enacted to restore private sector involvement in prison industries, joint ventures between private sector industries and state and federal prisons have taken off.

While still a small percentage of the prison population, today almost 72,500 prisoners are working in publicly and privately run work programs, producing \$1.35 billion worth of goods and services annually. Prisoners are involved in everything from assembling electronic cables to taking reservations for TWA flights. Most states either have passed or are in the process of passing legislation to enable such joint ventures to be set up in their prisons.

The federal government has the largest such prison labor program, called Unicor, which was first established in

1934. Unicor, a private for-profit corporation, sells products made by inmates in most federal prisons to federal agencies, and subcontracts prison labor to companies such as defense contractors and subcontractors that get contracts from the government. Unicor inmates are paid between 23 cents and \$1.15 per hour, and up to 50% of that can be deducted for debts and restitution. Loud protests against the ongoing expansion of Unicor have been registered recently both by labor unions and small companies in the government-supply business, who cannot compete with Unicor's low labor costs.

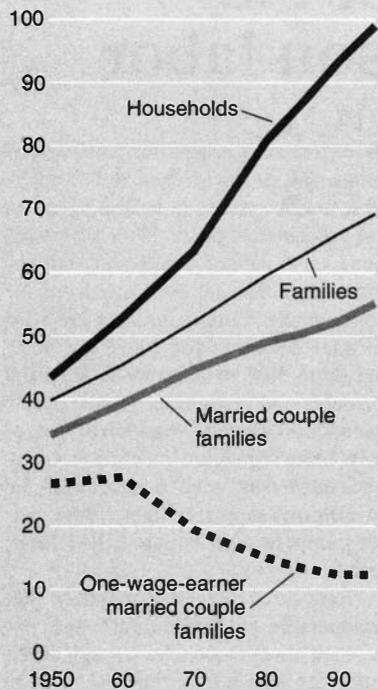
State laws generally mandate that prisoners be paid minimum wage, but there are always loopholes through which states can ram a tank. For instance, in three prisons in Virginia, prisoners are working for a private company which sells furniture to non-profit organizations. Since the ultimate purchaser is non-profit, the minimum wage law doesn't apply, and the prisoners earn 60 cents an hour. Even those who receive the minimum wage generally actually get only at most one-half of their pay, the balance going to cover the cost of their incarceration, victim restitution, and payment of court fines. About 40% of a typical working inmate's incarceration costs are recovered from wages.

Prisoners don't have the right to strike, and any complaint can result in punishment or loss of job; thus, prison labor is just about ideal, from a cost-cutting point of view. There are no OSHA complaints, and the prisoners have to show up for work. In addition, as the National Institute of Justice report states, employing American prisoners has the advantage that the product can carry the "Made in America" label, while the ultimate cost of employing American prisoners is comparable to, if not lower than, employing cheap labor in such places as Mexico's maquiladoras.

—Marianna Wertz

FIGURE 8
Households and families

millions



income for a family of four. They constitute some of the working poor, who are a growing percentage of the labor force.

The breakdown in family structure

The shrinkage of the annual wage as a percentage of the annual family median income, provides the backdrop for the extinction of the single-wage-earner fami-

FIGURE 9
Families, married couple families, and one-wage-earner families as a percent of all households



ly—which parallels an alarming trend in the breakdown of the family structure. (For those who like to preach about family values, they should pay strict attention.)

Figure 8 shows the number of households; families; married-couple families; and one-wage-earner, married-couple families. Each classification is a sub-set of the preceding classification. For example, a household is any combination of person or persons living together; a family is any form of a family living together, such as a married-couple family, a mother and children, a father and children, and so on; a married-couple family is a family which specifically has a husband and wife heading it, plus, possibly, children; and a one-wage-earner, married-couple family is one in which only one person works. In 1950, there were 43 million households; by 1995, there were 98.5 million. The increase or

decrease of the other three classifications is shown.

Figure 9 depicts the latter three classifications expressed as a percentage of the number of households. The breakdown of the family comes to the foreground. In 1950, families comprised 91.5% of all households. But by 1995, they comprised only 70% of all households, as the strange pairings of Baby Boomers or Generation X took over. In 1950, four-fifths of all households were headed by married couples; that declined to only slightly more than half by 1995.

But the most dramatic change is registered by one-wage-earner, married-couple families. In 1950, they constituted six out of every 10 households; today, they are a mere 12% of households. One wage earner no longer can support a family. The single wage-earner family has indeed become extinct.

A note on our sources

Data for the tables and graphs accompanying this *Special Report*, were taken from the following sources:

American Automobile Manufacturers Association, "Facts and Figures, 1996"

American Hospital Association

Association for Manufacturing Technology, "The Economic Handbook of the Machine Tool Industry, 1989-90"

Back Associates

The College Board

Council of Economic Advisers, "Economic Report of the President, 1995"

National Association of Home Builders, "Housing Background, Update 1996"

United Nations Statistical Office

U.S. Department of Agriculture

U.S. Department of Commerce, Bureau of Economic Analysis and Bureau of the Census, "Historical Statistics of the United States, Colonial Times to 1970," and "U.S. Statistical Abstract," various years

Department of Commerce, Bureau of the Census, Housing and Economic Statistics Division, "Housing Census, Summary of Detailed Housing characteristics, 1990"

U.S. Department of Energy, "Monthly Energy Review, August, 1996"

U.S. Department of the Interior, U.S. Geological Survey

U.S. Department of Labor, Bureau of Labor Statistics, "Employment and Earnings, 1909-75;" "Employment and Earnings, May 1996"

U.S. Department of Transportation, Federal Highway Administration, "The Status of the Nation's Bridges, June, 1995"

U.S. Federal Reserve Board of Governors, "Flow of Funds Statistics," various dates

U.S. National Center for Education Statistics, "Digest of Education Statistics"

Workers' paychecks evaporate, as market basket collapses 50%

by Richard Freeman

Today, a worker's purchasing power is approximately half of what it was three decades ago. This can be expressed in terms of what a paycheck buys—the consumer market basket of essential goods needed for a family's survival and development—and in terms of the basic infrastructure that is indispensable for a working family's existence.

There are two levels at which we will examine how much that purchasing power has fallen.

First, we will compare, for selected years since the mid-1960s, the value of an average worker's paycheck, and the cost of the basic items needed for that worker's family's survival and advancement—the household consumer market basket. Although both the paycheck and the basic items' costs are expressed in dollars, we haven't the slightest interest in dollar values; rather, we are concerned with the ratio between the paycheck and what it buys. We will show that for essential items, such as a home, a car, a hospital stay, or a college education, the number of weeks a worker must work to acquire these has increased by 1.5 to 4 times over the past 30 years. Inversely, this proves that the worker's purchasing power has fallen by 40 to 80% during this period, because it takes him so much longer to acquire the same goods. The paycheck is evaporating.

Second, we will look at the catastrophic fall in consumption of these same basic items by families, where such figures exist. This fall in consumption, which reflects the lack of productive capability in the U.S. economy, is twofold: Not only has the quantity of goods consumed abruptly declined, but the quality of the goods has plunged, too. The quality of many products, from homes and cars, to education and hospital care, is but a pale facsimile of what was the

norm 30 years ago.

In approaching this, we ask the reader to give up all notions of economics as having to do with dollar expressions. One doesn't eat dollars, or clothe oneself in dollars, or house oneself in dollars. Our concern is with the physical goods and infrastructural services, as well as cultural services, that a worker and his family consume, which allow the family to reproduce itself as a functional unit, and, in particular, as a unit that produces and maintains a current and future workforce of the highest intellectual and scientific standard. To produce a family at a certain intellectual and material level of existence, requires not an assortment of "things," but a specific spectrum of goods and services: This is defined as the household consumer market basket. Each family must have access to a decent standard of a consumer market basket. If this market basket is slashed, this causes the disintegration of the family.

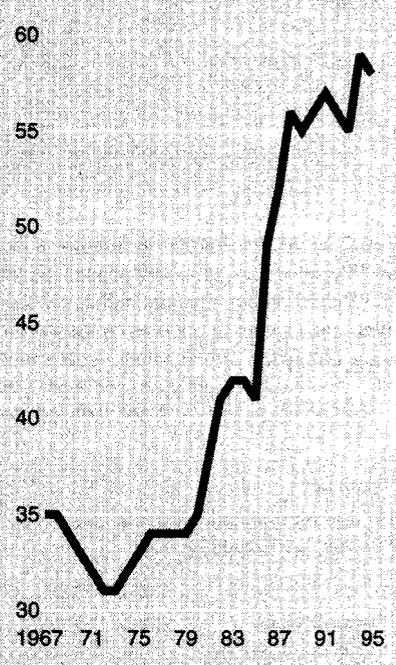
In turn, this destroys the current and future generation of the labor force, ravaging the physical economy.

Thus today, while there is a lot of blather about the growth of incomes, the lowering of unemployment, and so on, the reality is quite the opposite.

Collapse in purchasing power

We start with the average weekly paycheck of a "non-supervisory worker employed in private non-agricultural industry." Most of the workers in the economy are of this type. In 1965, this average wage was \$95.45 per week; in 1995, it was \$398.68. This is the gross wage before taxes. We are treating the wage as if taxes didn't exist. This won't change anything fundamental; if anything, including taxes would lower the purchasing power of

FIGURE 10
Number of weekly paychecks required to buy new car
includes finance costs



today's paycheck, because taxes as a percentage of the paycheck have risen since 1965.

For each key item, where possible, we present two pictures: the number of paychecks required to purchase that item, and the physical production parameters of this item.

• **Cars.** In 1967, it required 35 weeks of an average worker's weekly paycheck to purchase a new car (including financing costs); today, it requires 58 paychecks (Figure 10). That is, a worker must work 23

FIGURE 11
Cars produced per household, 1967-95

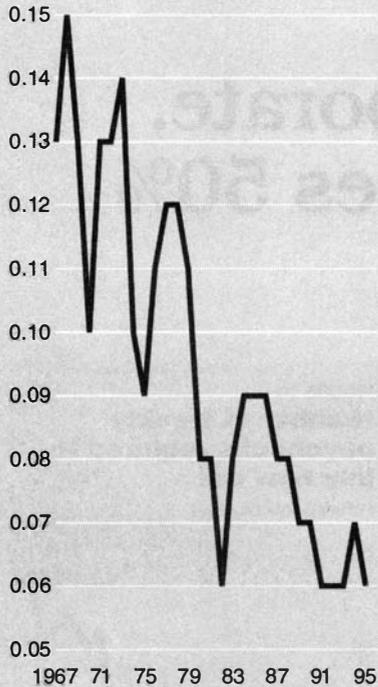


FIGURE 12
Number of paychecks to purchase a new home

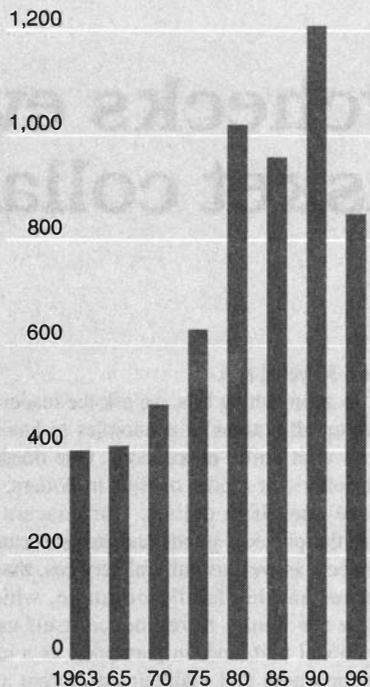
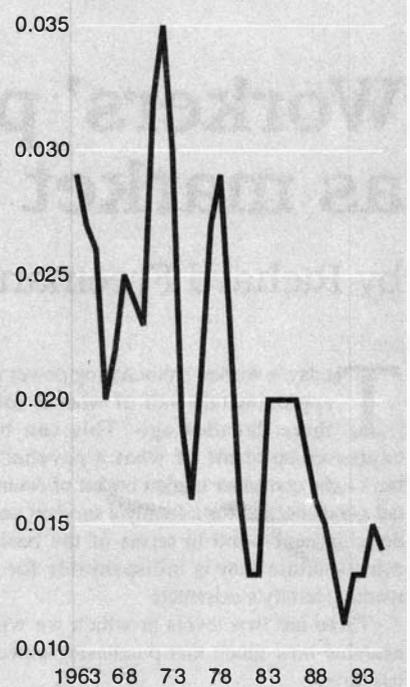


FIGURE 13
Housing starts per household, 1963-95



weeks, or 65.7% longer, to acquire a new car. Therefore, in physical terms, it costs 65.7% more to buy the car. Stating the same point, but inversely, a worker's standard of living has fallen 39.7% today, compared to 1967, relative to the ability to purchase a car.

This tells us, that with the reduced pur-

chasing power, the worker is less able to purchase cars as part of his market basket. This is quite important, because except in about 20 large cities that have functioning mass transit systems, most people in America are forced to travel by car.

We start, however, with the *production* of cars, because it is the economy's ability to produce that determines the functional limits of its ability to consume. Without production, consumption cannot occur—something that most oligarchical bankers and members of the fascist "Contract on Americans" crowd, have never understood. While a deficit in production can sometimes be made up by imports, that source can dry up. In the case of cars, foreign import sales have fallen from 3.2 million per year in 1985 to 1.2 million per year in 1995.

We measure production of cars, not by absolute units produced, but by units produced per capita, per household, and per hectare. Were car production to have remained the same while the population doubled, then we would not really be getting the same number of cars, because relative to what the population needs, the number of cars would have been halved. **Figure 11** shows that, while in 1967, there were 0.13 cars produced per household, this had fallen

to 0.06 cars per household in 1995, a plunge of 54%. This constitutes a level of fall in auto consumption per household, of approximately 50%.

There is an additional element to take into account: The quality of the car has fallen. While one is told that cars today are safer, that is a fraud: They are far less structurally sound. **Table 1** shows the material components that went into a car in 1975, compared with today. Today, cars weigh nearly half a ton less. Federal Highway Administration statistics are unambiguous: Lighter cars increase the possibility for fatal accidents.

• **Homes.** In 1967, it required 399 weeks of an average worker's weekly paycheck to purchase a new home (including financing costs); today, it requires 877 paychecks (**Figure 12**). That is, a worker must work 478 weeks, or 119.7% longer, to acquire a new home. Therefore, in physical terms, it costs 119.7% more to buy the home. A worker's standard of living has fallen 59.1% today, compared to 1967, with respect to the ability to purchase a new home.

With reduced purchasing power, the worker is less able to buy a home. As with the car, we approach the issue by looking at

TABLE 1
Pounds of material in a typical family car

	1975	1996
Regular steel	2,315	1,409
High strength steel	106	287
Iron	626	389
Plastics and plastic composites	168	245
Aluminum	86	195
Copper and brass	37	45
Zinc die castings	53	16
Rubber	160	139
Glass	94	94
Other materials	325	417
Total weight	3,970	3,236

Source: American Automobile Manufacturers Association, "Facts and Figures, 1996."

home production, which determines the number of homes that will be available for consumption (imports are not an issue here). **Figure 13** shows that while in 1972, there were 0.035 homes produced per household, this had fallen to 0.014 homes per household in 1995, a fall of 60%. This corresponds to the range of collapse in home consumption per household, of greater than 50%.

The nation's housing shortage, while it has been lessened a little by the declining rate of family formation, is still quite acute. For 20 of the nation's largest cities, a staggering percentage of housing units was built before 1939 (see **Table 2**). This defines the need for a very ambitious housing reconstruction program.

Yet, at the same time, the quality of housing is deteriorating. New homes are often made with the cheapest and shoddiest materials. New homes, sometimes priced at a quarter of a million dollars, are built with doors made of cardboard cores instead of wood; no cross-braces under the joists of floors to support them and prevent shaking, and the proverbial 2 by 4 piece of wood shaved down to 1.5 by 3.5

inches. Whereas 50% of the siding in a house in the 1970s was made of brick (in the 1950s, we used to build entire homes out of brick—but that's a thing of the past), today less than 30% of the siding is made of brick, replaced often by siding made of a cheap plastic compound. Moreover, the material placed between the house frame and the siding—called the sheathing—is overwhelmingly made from either aluminum foil or foam. Aluminum foil and foam are both good insulating materials—one of the functions of sheathing. But they have no racking strength, that is, the ability to stand up to high winds, another of the purposes of sheathing. As one contractor put it, "The aluminum foil-covered sheathing has about as much racking strength as hanging down a few strips of tin foil." This is one of the reasons that so many homes disintegrate when hit by hurricanes, floods, and other natural disasters.

Figure 14 shows how the usurious interest cost increases the overall ownership cost of a house.

• **Health.** In 1965, it required 3.3 weeks of an average worker's weekly paycheck to

FIGURE 14
Interest increases total cost of new homes

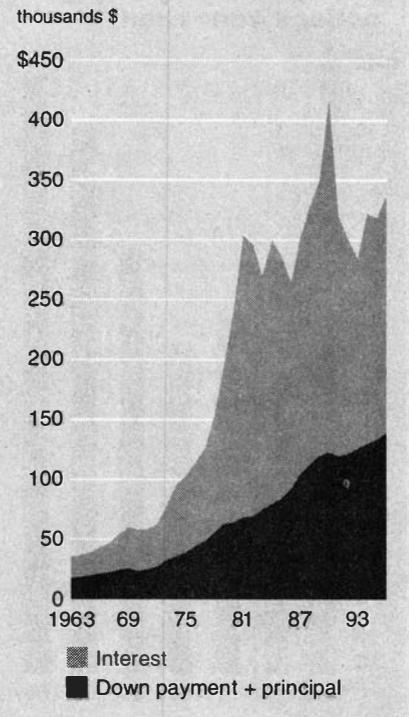


TABLE 2

Number of housing units, and percent of housing stock built before 1939, in 20 large cities

	Housing units (thousands)	Percent built before 1939
Metropolitan New York City	7,097	31.1%
Los Angeles-Anaheim	5,293	9.4%
Chicago	3,106	25.7%
Metropolitan Philadelphia	2,308	29.9%
Detroit	1,826	17.6%
Metropolitan Boston	1,651	39.5%
Dallas-Ft. Worth	1,628	5.0%
Metropolitan District of Columbia	1,557	27.0%
Houston	1,530	4.6%
Miami-Ft. Lauderdale	1,400	2.2%
Atlanta	1,174	19.7%
Cleveland	1,123	26.5%
Seattle-Tacoma	1,060	15.2%
Tampa-St. Petersburg	1,025	4.3%
Metropolitan St. Louis	1,006	21.3%
Minneapolis-St. Paul	989	20.5%
Pittsburgh-Beaver Valley	956	34.3%
San Diego	946	5.5%
Baltimore	939	19.9%
Denver	811	10.5%

Source: "Housing Census, Summary of Detailed Housing Characteristics, 1990," published by Department of Commerce, Bureau of the Census, Housing and Household Economic Statistics Division.

FIGURE 15
Number of paychecks to pay for a single hospital stay

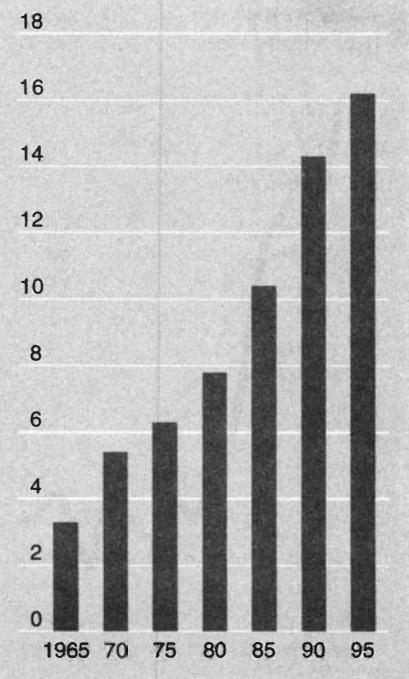


FIGURE 16

Number of paychecks to pay for one year of college education

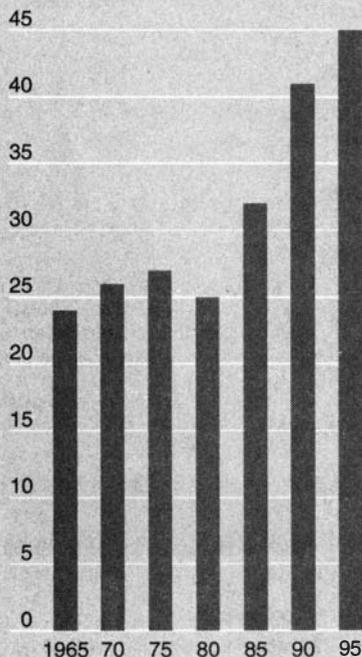


FIGURE 17

Residential energy consumption per household, 1973-95

millions of BTUs

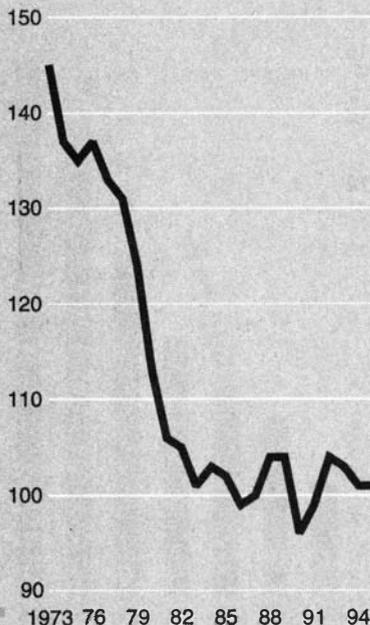


TABLE 3

Decline in production levels for goods in producers' and consumers' market baskets on a per-household basis

(index 1967=1.000)

	1967	1973	1979	1982	1990
CONSUMERS' MARKET BASKET					
Men's trousers	1.000	0.965	0.594	0.504	0.335
Men's shirts	1.000	0.644	0.486	0.343	0.165
Women's blouses	1.000	1.023	1.511	1.405	0.684
Women's dresses	1.000	0.597	0.503	0.339	0.279
Women's woollens	1.000	0.264	0.254	0.139	0.166
Refrigerators	1.000	1.247	0.935	0.703	0.932
Passenger cars	1.000	1.150	0.869	0.484	0.512
Tires	1.000	1.020	0.833	0.666	0.877
Radios	1.000	0.706	0.467	0.316	0.098
PRODUCERS' MARKET BASKET					
Metal-cutting machine tools	1.000	0.643	0.530	0.289	0.212
Metal-forming machine tools	1.000	0.854	0.730	0.404	0.406
Bulldozers	1.000	1.200	0.713	0.334	0.306
Graders and levellers	1.000	0.786	0.748	0.383	0.349
Pumps	1.000	1.140	0.541	0.424	0.506
Steel	1.000	1.029	0.821	0.416	0.487
INTERMEDIATE GOODS FOR EITHER MARKET BASKET					
Gravel and crushed stone	1.000	1.023	0.914	0.624	0.575
Clay	1.000	1.022	0.759	0.459	0.544
Bricks	1.000	0.999	0.850	0.451	0.598
Cement	1.000	1.045	0.911	0.632	0.689

pay for a single in-patient hospital stay; today it requires 16.2 paychecks (Figure 15). That is, a worker must work 12.9 weeks, or 5 times as long, to pay for a hospital stay. Therefore, a worker's standard of living has fallen 79.6% today, compared to 1965, in terms of the ability to purchase a single hospital stay. Of course, most people don't pay for a hospital stay exclusively out of their own funds; they have medical insurance—unless they are one of the 39.7 million medically uninsured in this country. But medical insurance premiums have skyrocketed as a percentage of the weekly paycheck.

The deterioration of hospital and health care services, in terms of beds per capita, and so on, is presented elsewhere in this *Special Report*.

- **Education.** In 1965, it required 24 weeks of an average worker's weekly paycheck to pay for a single year of a child's tuition and room and board (but not books and other living expenses) at a four-year private college; today it requires 43 paychecks (Figure 16). Thus, a worker must work 19 weeks, or 79% longer, to pay for a single

year of his child's college education. Therefore, in terms of the ability to pay for a year of college education, a worker's standard of living has fallen 44.2% today, compared to 1965.

(The deterioration of education infrastructure in general is presented elsewhere in this report.)

- Other key items of the family consumer market basket are presented in Table 3. A production or consumption level for each item was determined, and then divided by the number of households in 1967. This yielded a production level on a per-household basis. The 1967 level was set equal to 1, and all subsequent years' production levels were compared to it. Notice that by 1990, the level of output for consumer market basket items such as radios, trousers, and blouses (as well as some producer market basket items) has fallen anywhere from 10% to 90% from 1967 levels.

- **Energy.** In 1973, as Figure 17 shows, the level of residential energy consumption, per household, was 145 million British Thermal Units; today, it is 101 million



Townhouse construction in northern Virginia. Shoddy construction and cheap materials are now the order of the day throughout much of the nation's construction industry.

BTUs per household, a fall of 30%. Some of that is due to the use of the more efficient form of energy, electricity; but much of it is due to the breakdown in overall consumption patterns. The death of 500 Chicago citizens, many of them elderly, during the heat wave of the summer of 1995—several of them because they could-

n't afford air conditioners—dramatizes the situation.

The pattern of the reduction of the production and/or consumption of critical items which make up the household consumer market basket ranges from 30% to 80%, depending on the item, confirming that a worker's purchasing power is

approximately half of what it was three decades ago.

- **Debt.** Finally, accelerating the collapse of a family's purchasing power is the growth of household debt: debt for mortgages, car loans, installment credit, etc. Many families contracted this debt to make up the shortfall in their income and

Where did the paycheck go?

To gauge the effect of the shrinking paycheck, *EIR* calculated the monthly payments that a worker would have to make for a home, car, and health insurance premiums, as a percent of the average paycheck. (For health insurance, only the worker's component of the insurance cost is counted, not the employer's.) **Figure 18** shows that by 1995, these three items alone would consume 84% of the average single paycheck. This would leave very little for any other purchases, such as food, clothing, furniture, or servicing an automobile.

By comparison, in 1965, when the purchasing power of a paycheck was twice as strong, the monthly payment costs for these three items was only 46%, leaving enough left over to support the other

requirements of a family. (The drop in percentage from 1990 to 1995 reflects a drop in interest rates.)

The single paycheck is a revealing metric. Fewer households are supported by a single paycheck, but even families with three or four of today's jobs cannot survive.

Now, it is true that not every household is paying off a car and a home purchase; but at minimum, families will be paying rent, or buying a used car, and the prices of these items have also increased dramatically relative to the purchasing power of the paycheck. Thus, the parameter accurately reflects the tendency experienced by all households, and closely reflects the intensity of the fall in purchasing power.

FIGURE 18

Combined home, car, and insurance payments as a percentage of average paycheck

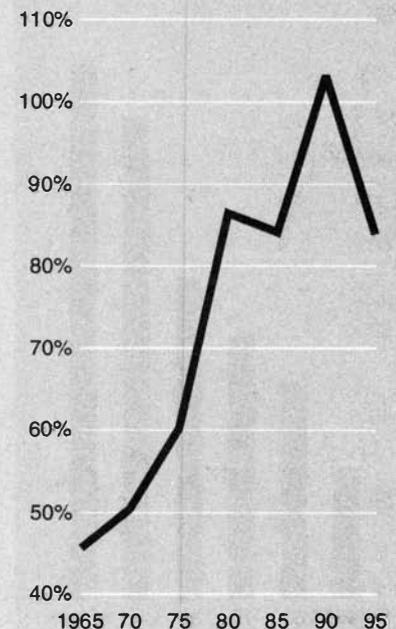
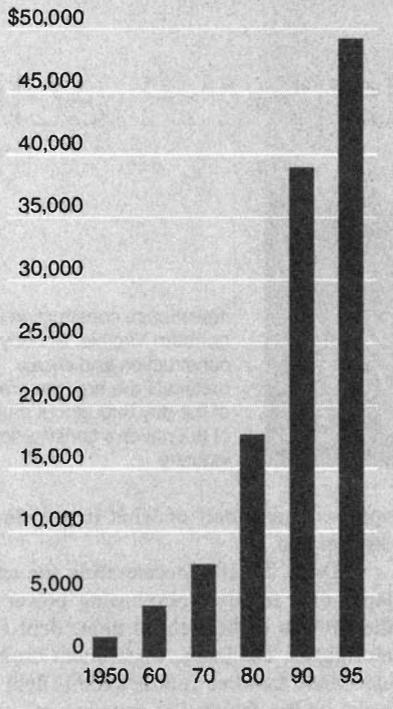


FIGURE 19
Household debt per household soars



purchasing power. Now, they are paying for it. **Figure 19** shows that household debt, which was \$1,632 per household in 1950, reaches \$49,248 per household today. **Figure 20** shows the number of paychecks that would be required to pay off that debt. **Figure 21** shows the annual amount in interest charges that must be paid, per household, on this household debt. There is also credit card debt, which by and large is not included in the figures for household debt. **Figure 22** demonstrates that credit card holders who carry a balance on their cards—which is 70% of all holders—have increased their average amount of credit card debt to \$3,900, which is \$3,000 more than 10 years ago.

All of this debt has, of course, an interest charge. In 1950, the annual amount of interest paid, per household, on its household debt was \$41; today, it is \$3,694 per household, per year, a 9,000% increase. This sharply affects the market basket: The usurious looting through interest payments, contracts still further the amount of money available to purchase goods, further reducing the consumer market basket.

Reflecting the household debt burden,

the level of U.S. credit card delinquencies, and personal bankruptcy filings are setting new records. Bank lending through credit cards has more than doubled since 1992.

As of June 30, 3.66% of all active credit card accounts were delinquent—for the seventh quarterly increase, and the highest rate since delinquency statistics first were compiled in 1974.

Americans owed \$454 billion in credit card debt as of June 30, a \$72 billion—18.8%—increase over the \$382 billion outstanding at June 30, 1995. Credit card debt represents 39% of all consumer lending.

This delinquency data, and the rising credit card debt, indicate how millions of Americans are using their credit cards to supplement wages and salaries which do not provide a living income, and that when their credit cards are blown out, many of them file for bankruptcy.

The nationwide bankruptcy rate for the first six months of 1996 is up over last year by 26%. At this rate, by year end, the U.S. will surpass one million bankruptcies this year for the first time ever, reaching an expected 1.1 million bankruptcies.

FIGURE 20
Number of paychecks required to pay off household debt

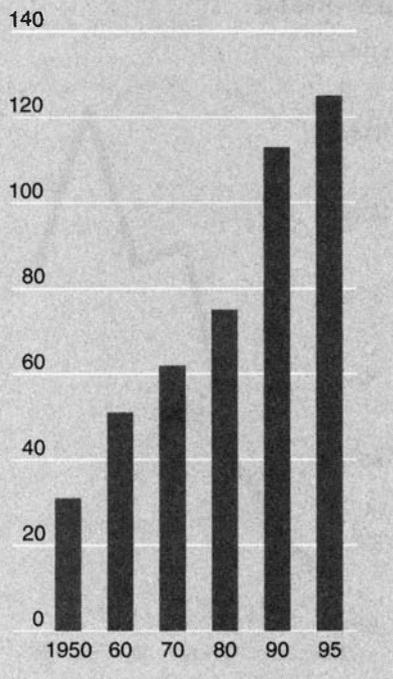


FIGURE 21
Annual amount of interest owed on household debt

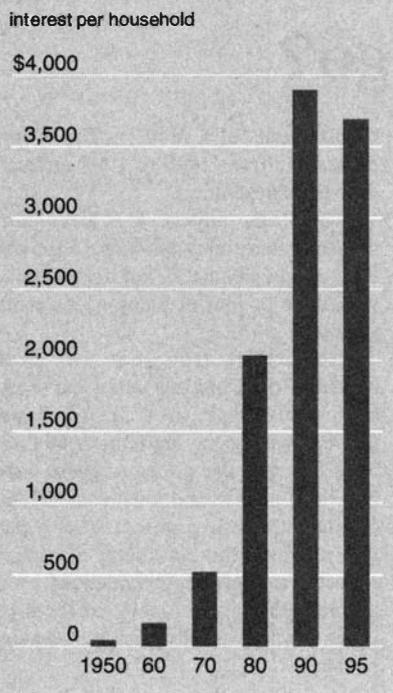
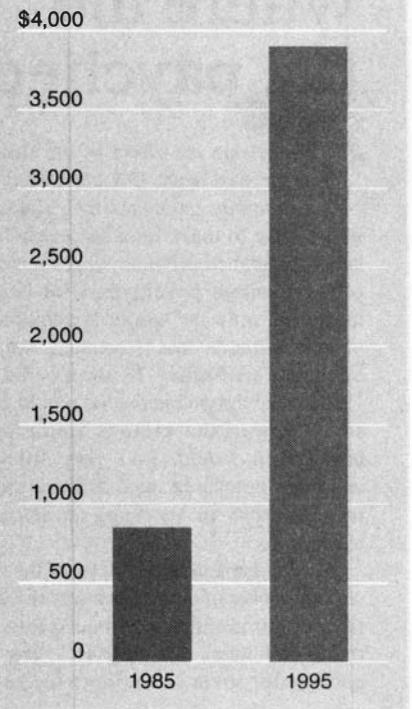


FIGURE 22
Credit card debt per card holder



Food market basket: your paycheck compared to your 'grocery bag'

by Marcia Merry Baker

If you shop for food, you have seen for yourself how grocery store prices are rising. Butter was \$1.50 a pound a year ago; now it's \$2.50 at least. But don't believe any of the explanations you get from TV nightly news or Wall Street expert "analysts" for rising food prices. They specialize in "market myths" about weather, competing demands, etc. On butter, they'll say, "Butter is high because milkfat is going into ice cream," or some other fairy tale.

The U.S. food chain, from beginning to end, is precarious. And, unless emergency

food and farm policies are instituted, we "ain't seen nothin' yet," when it comes to food prices. A select few individuals and companies, mostly interconnected with London financial and political interests, have positioned themselves along the food chain to profiteer from commodity hoarding and soaring prices (documented in *EIR* in 1996, and summarized at the end of this report).

The fact is that U.S. agricultural production, relative to needed volumes of food, reserves, and so forth, is now operat-

ing *below* levels required for adequate food security ratios for the population. This has been masked by growing commodity imports—beef from Mexico, produce and seafood from Asia and Ibero-America, fruit juice concentrates from the Middle East, etc.—on a scale that constitutes looting of trade partners. This can't last; nor should it.

To summarize this situation, we begin at the point of the retail food price picture from the 1960s to the 1990s, and proceed to the crisis condition of the U.S. farm sector.

Grocery bag prices rise

To look at your food dollar, compared to your paycheck, *EIR* made up a special "grocery bag" of 16 food items, for which the U.S. Department of Agriculture Economic Research Service provided statistics on retail prices from 1960 to 1995; *EIR* field survey data completed prices as of September 1996. All the items are relatively unprocessed, except for baked bread; pasteurized milk; roasted, ground coffee; and so forth, to make comparison over time more accurate.

The food items in the bag fall into eight basic food group categories, and are listed below. The prices were assembled based on price-per-pound units, except for a head of lettuce, and a half-gallon of milk):

- Grains: flour, rice, bread
- Meats: ground beef, chicken
- Dairy: milk, butter
- Eggs
- Fruit: apples, bananas
- Vegetables: tomatoes, onions, lettuce, potatoes
- Coffee
- Sugar

Figure 23 shows that the same "bag" which in 1960 cost \$5.28, as of Sept. 15,

FIGURE 23
Grocery bag of sixteen food staples

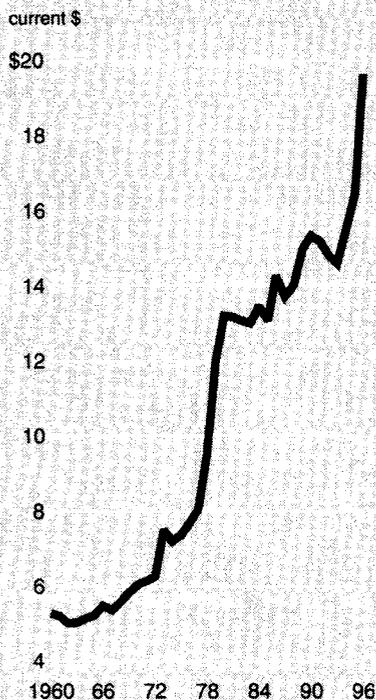


FIGURE 24
Grocery bag of sixteen food staples

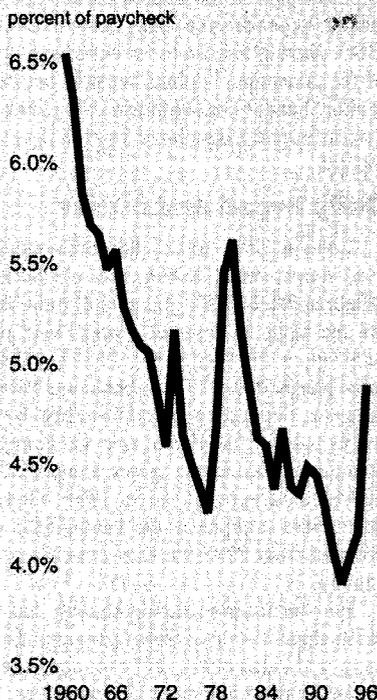


FIGURE 25
Food expenditures
percent of total consumer expenditures

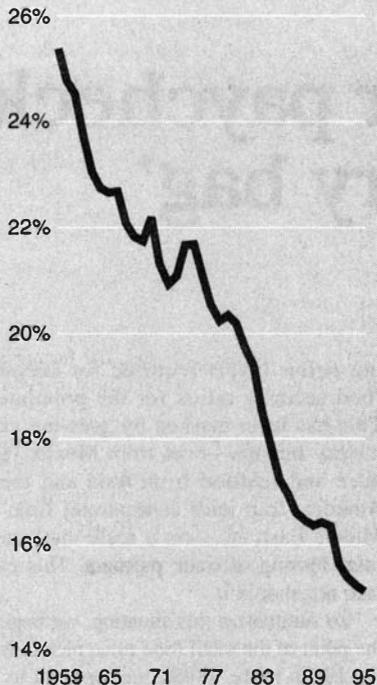


FIGURE 26
Grocery bag item: bread
price per pound, in current dollars

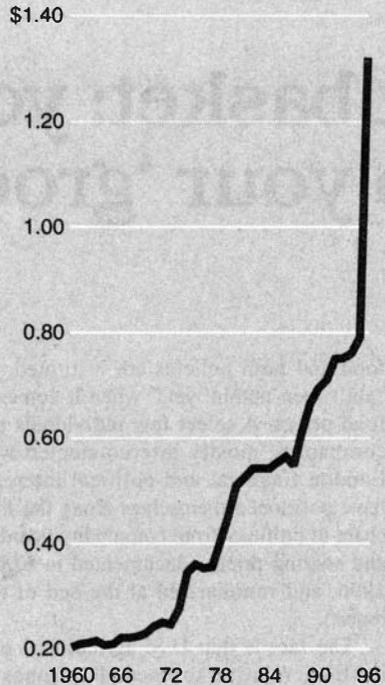
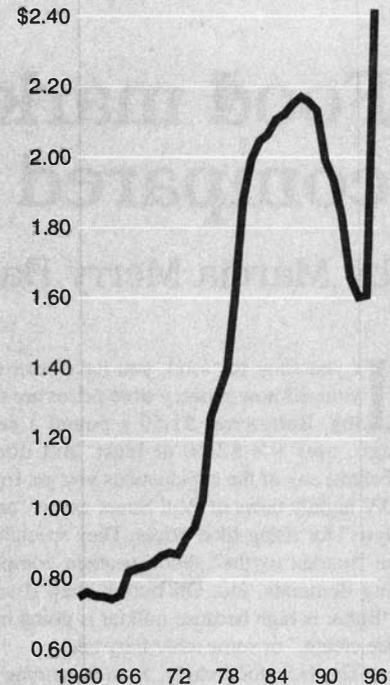


FIGURE 27
Grocery bag item: butter
price per pound, in current dollars



1996, costs \$19.64. In other words, the “check-out price” rose 3.7 times over 36 years.

The grocery bag price rose very little over the 1960s. But food prices jumped in 1973 and 1974—when Cargill and the other grain cartel companies profited off stealthy sales of U.S. grain to the Soviet Union; prices jumped again from 1975 to 1980, when a combination of high oil prices and Federal Reserve high interest rates hit the farm/food sector; and as of 1996, food prices are again shooting up.

However, this same *EIR* grocery bag, as a percent of the average weekly wage packet (non-farm, private payrolls), fell from 1960 to 1990, except for the two jump-points in the 1970s (Figure 24). Then in the 1990s, food prices started rising again as a percent of the weekly wage; and as of this fall, many prices will take off.

In 1960, the grocery bag was 6.5% of the average weekly wage. This fell to 4.5% in 1975; and down to 4% in 1991. Since then, it is going back up.

Figure 25 shows this same trend, for all food expenditures, not just the 16 items in the *EIR* grocery bag. Annual consumer expenditures for all foods (processed,

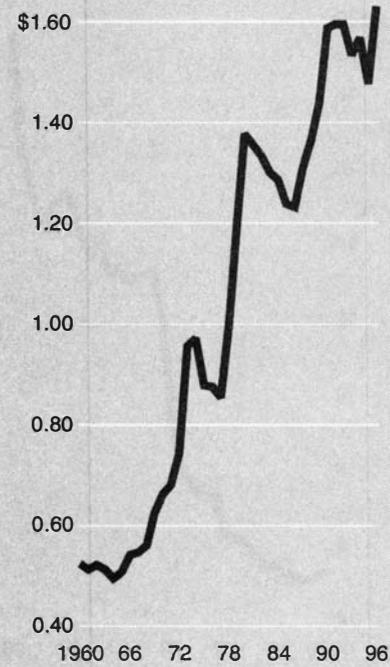
unprocessed, at-home foods, eaten-out foods, etc.) is shown as a percent of total consumer expenditures. In 1959, food expenditures were over 25% of all consumer expenditures. This fell to 15% in 1995. During this time, an increasing share of the consumers’ dollars went to non-food market basket consumption categories, as documented elsewhere in this *Special Report*.

Daily bread and butter

Look at price trends for three specific food items: bread, butter, and ground beef (Figures 26, 27, 28). The overall trend lines are the same as the total grocery bag, with retail price stability in the 1960s; and two price jumps in the 1970s; then come various patterns, depending on commodity. Bread prices rose in the 1990s, and are going up faster and faster. Butter prices dropped in the 1990s, then zoomed up in 1996. Ground beef prices dropped in the later 1980s; and dropped from 1993-95; they are now rising slightly.

For the farm sector producing each of these three staples (grain growers, dairy-men, and cattlemen), and producers of all the other food and fiber commodities, the consequences of shifts in retail prices,

FIGURE 28
Grocery bag item: ground beef
price per pound, in current dollars



and in prices paid to farmers relative to the farmer's costs, have been devastating. For reasons of space, we will not go through each food commodity here, but will review them in future issue. Here we show the overall pattern of decades of underpayment to the U.S. farm sector, in terms of falling income to farmers, lack of agriculture infrastructure, and so forth, which adds up to a U.S. food supply and

consumption crisis.

No food at any price?

What the grocery bag draws attention to, is that anyone who could hardly afford food prices as of the early 1990s, now faces the prospect of not having the means to eat at all, as prices soar. As of 1993, the number of Americans on food stamps reached 1 out of 10.

On the other hand, if all Americans were given the paychecks, or the food stamps or equivalent, to go out tomorrow and shop for all the quality food they wanted, it wouldn't be there.

The U.S. farm sector is disintegrating from years of underpayment, and lack of infrastructure provisions. **Figure 29** gives the background to understand the farm side of the equation, relative to grocery store prices. **Figure 30** shows that all the while, from 1960 to 1990, that the percent of the average weekly wage spent on the food dollar went *down* (for our grocery bag measure), the share of your food dollar expenditure which went to the farmer, *dropped*. In other words, over the 1960s to 1990s, food was one of the few categories that took a smaller share of the average paycheck, in contrast to all the other items we've examined in this report. Yet, of each consumer dollar going for food, less and less of that dollar was going to the farmer. Therefore, farmers have been consistently underpaid, relative to the income they need in order to make necessary capital investments, while maintaining the living standard to guarantee food supplies in the future.

In 1960, 33% of the consumer dollar spent on food went to the farmer (for all

commodities). In 1993, this stood at 22%; the farmer's share dropped by a third.

For specific commodities, the drop in share of the consumer dollar is even steeper, as shown in Figure 29.

In 1960, 16-17% of the food expenditure on grain products (milled and baked), went to the farmer. As of 1993, it was barely 7%.

Eggs and poultry producers got 61% of the consumer dollar for those foods in 1960, and 40% in 1993. Fruits and vegetables producers got 25% of the consumer's expenditures for that commodity in 1960, and 16% in 1993. For dairy foods, farmers got 45% of the consumer's dollar in 1960 for those foods, and 31% in 1993. For meats, in 1960, 57% of the consumer spending on meat went to the farmer; in 1993, the farmer got only 40%—and the consumer price had dropped!

Who got the share of your food dollar that did not reach the farmer? Don't blame it on an unknown, John Doe middleman. That's a media trick to hide the truth.

London commodities sharks

Cartels of commodities companies have moved in and consolidated positions all along the food chain. They are interlinked with mostly Anglo-Dutch finance. Forty of the world's largest 50 food companies are based in the United States, Switzerland, and the "neo-British Empire," including the United Kingdom, Canada, and Australia. Only 10 are based elsewhere, mostly in Japan. Many of these famous name companies are posting record profits as a result of underpaying farmers and gouging consumers.

Meat: IBP (Nebraska-based) is the world's largest butcher, along with Cargill, ConAgra, and a few others.

Dairy: Cartel leaders are Unilever, Nestlé, Philip Morris (Kraft Foods), and a few others.

International fruits and vegetables: Trading cartel names include Chiquita (formerly United Brands) and Grand Metropolitan (Green Giant).

Grains and milling: Cargill, Grand Metropolitan (Pillsbury), ADM, Louis Dreyfus, Continental, Bunge.

Oils, sweeteners: ADM, Cargill, Tate & Lyle (London-based owner of A.E. Staley).

The farmer's 'paycheck'

Farmers don't get paychecks from farming; they get income from prices received for their commodities produced. Because of cartel-serving public policy, farmers' pay-

FIGURE 29

Farmers' share of consumer dollar drops

percent of food dollar

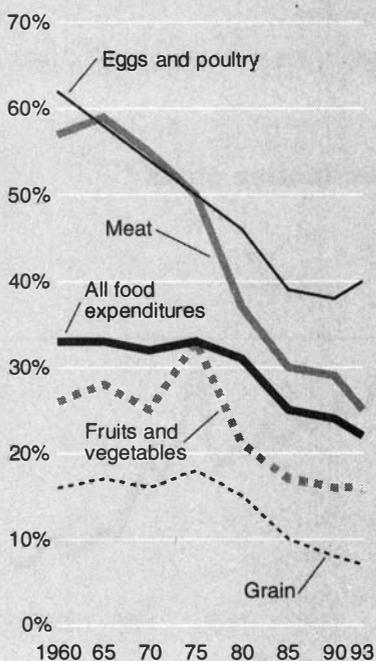


FIGURE 30

Income of the average farm household

\$50,000

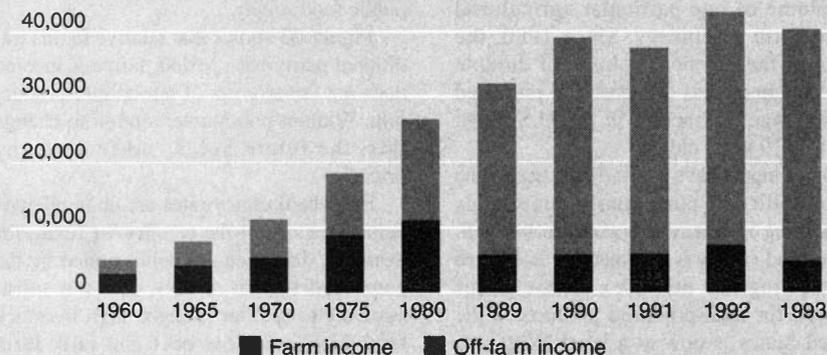
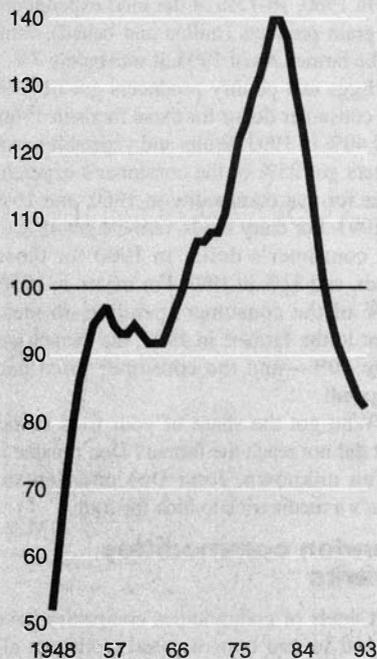


FIGURE 31
Index of farm inputs:
 durable equipment
 (1967=100)



check-equivalent has dropped in half over the past 25 years.

Figure 30 shows that the annual income from farming for the average U.S. farmer-operated household, was, as of 1993, little more than it was in 1960, in absolute, unadjusted-for-inflation dollars. In 1960, the farm household's income from farming was \$2,962; in 1993, it was \$4,815. The highest point was in 1980, when farm household income from farming was \$11,056, then it fell sharply and stayed down. Over the 1980s, there were record numbers of farm bankruptcies.

Figure 30 shows how the farm household continued in operation: by scrambling to make more "off-farm" income to compensate for losing money in farming. In the mid-1960s, over 50% of the average farmer household's income came from farming, and the rest from off-farm income. In 1993, 12% of the average farm household's income comes from farming, and the rest from off-farm work.

Because the average non-farm paycheck is not covering needed household consumption levels for any average family, what does it mean for the state of farming in the United States? Farm households have to invest, out of their income, into agricultural inputs

FIGURE 32
Prices farmers pay exceed prices farmers receive
 index 100=1910-14

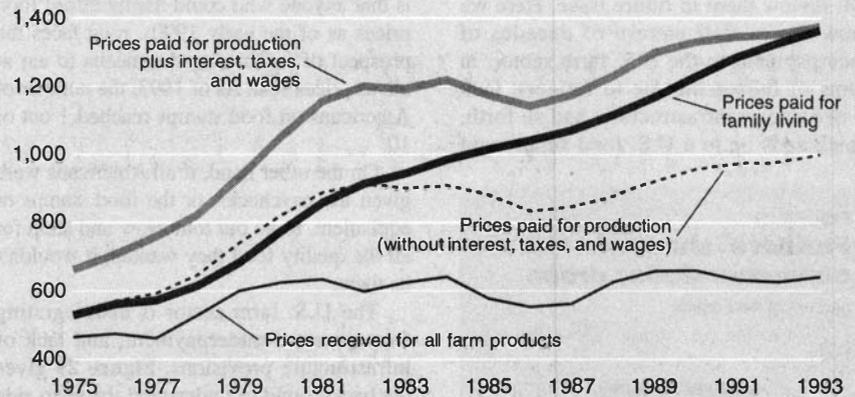
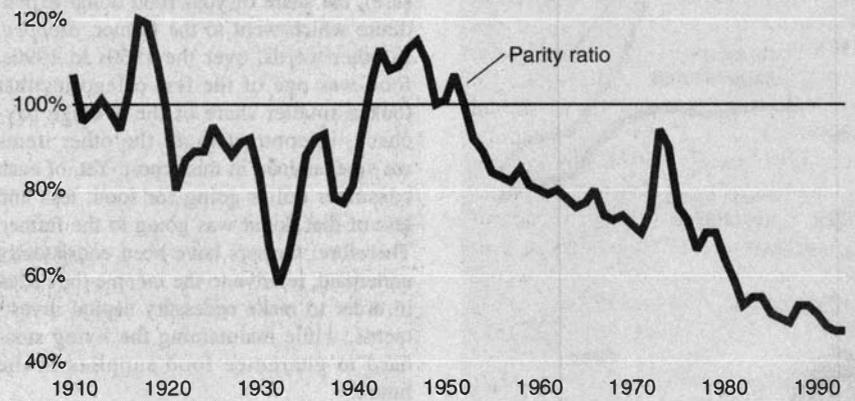


FIGURE 33
Farmers' income doesn't cover production costs
 percentage of 1910-14 parity



(power, machinery, water, soil management, buildings, livestock, seeds, chemicals) for future food and fiber output. In fact, there is disinvestment. Agriculture input ratios are declining, and farm productivity potential is falling drastically.

Figure 31 gives an index for the decline in volume of one particular agricultural input: farm machinery. Since 1980, the index of the physical volume of durable farm equipment has dropped. The estimated average age of tractors in the U.S. farm "fleet" is 19 years old.

Other inputs have similarly declined. The impossibility of farm family households functioning in a way to guarantee the U.S. future food supply is summarized in Figure 32, showing that the index for the prices received for farm-produced products in the United States is now at a level (600) less than half the index level for the prices farm-

ers must pay for production costs, and interest, taxes, and wages to labor (1,390). The base period for these indexes is the traditional 1910-14 period, designated as a parity measure, a time when farmers' prices and costs were in a relationship enabling the farm sector to guarantee investment for the public food supply.

Figure 33 shows that relative to this traditional parity base period, farmers' income does not cover costs of agriculture production. Without policy intervention to change this, the future holds "no food at any price."

Farm bankruptcy rates are up in all agriculture regions of the country. In Texas, for example, dairymen are being ruined by the combined impact of lack of water infrastructure to counter drought, high livestock feed costs, and low beef and milk farm commodity prices.

Infrastructure deficit adds up to \$7-10 trillion

by Richard Freeman, Marcia Merry Baker, and Anthony Wikrent

Next to the generation of original discoveries in fundamental scientific and epistemological principle, infrastructure is the most important element in an economy. It transmits technology, being a network grid, into which one can place any of the most important and advanced techniques of farming and industry. Without the infrastructure grid, these technologies could not function.

Think of someone who has made a breakthrough in an industrial process. He goes about to build a factory to manufacture this product, which surely will benefit mankind. But living in a remote area, he then finds that he hasn't the water and power to produce the item, nor the roads and rail network to ship it, nor the workforce with the necessary skills to produce it. It would be as if the breakthrough did not exist, because the inventor hasn't a chance of realizing the idea.

This is true for every product, every factory, and every farm in the country. Not only that, it is infrastructure which is the key ingredient in the household consumer market basket, ranging from water and power, to education and health. The advance of an industrial country over a non-industrial country, is to a significant degree bound up with the idea of advanced infrastructure.

But, unfortunately, infrastructure is one of the items that is most cheated on, and though the first few years of cuts can be disguised, their effect is patently noticeable in the poor functioning of an economy. The "Newtzis" have set their sights on eliminating most infrastructure capital spending, lying that it goes for "wasteful boondoggles." In their warped minds, anything which substantively provides for the future is a boondoggle.

But walk through any rural or small town, or large urban section of America,



The railroad in Clairton, Pennsylvania. The Big Six rail companies have cut back the nation's rail network drastically.

and if one is not wearing blinders, the effect of the infrastructure deficit hits you. Bridges and highways with wires and cables swinging loose, and chunks of concrete falling from them; broken water mains; the lack of water in farm states and in industry, or for basic hygiene; the collapse in the school buildings as well as in content of education; the shortage of hospital beds, no hospitals within easy driving distance, or even doctors, especially in rural and poor urban areas; the lack of access of airline service and the avalanche of deadly air disasters; the breakdown in the ability to ship vital goods quickly and efficiently by rail.

EIR estimates that the infrastructure

deficit in America, which includes costs for making fundamental repairs and replacements in America's infrastructure stock, including building new cities where needed, is between \$7 and \$10 trillion. This will be covered in future issues of *EIR*, but think of the number of productive, high-paying jobs that this will create and the immense challenge that it provides.

The level of infrastructure, in terms of real physical product and content and quality of services, has clearly fallen by half, as the examples that follow show. The snapshots provided here show that the American people are being robbed blind by the lack of infrastructure.

Air transport

ValuJet epitomizes the destruction of America's air infrastructure grid, which has been left in shambles:

- In 1970, the average age of aircraft in the entire airline industry was four years. By 1995, it had more than tripled to 14 years, an abandonment of capital investment (see Figure 34).

- Between 1979 and 1995, the number of aircraft mechanics employed per plane for maintenance had been cut by one-fifth.

- Air traffic control towers increasingly lose contact with flights, because of antiquated computer systems and other equipment failures.

- The deficit in necessary airport construction and repair exceeds \$50 billion.

- Whereas, before the airline industry was deregulated in 1979 by President Jimmy Carter and the free enterprise ideologues of the British oligarchy's Mont Pelerin Society, there were often non-stop flights between many cities, or direct flights with only one stopover; today, after deregulation, with the development of airline hubs, a traveller can change planes three or four times before reaching his or her final destination. Now, trips may take twice as long. The time lost in extra travel, costs the American economy tens of billions of dollars annually. And many cities, which previously had service, are now excluded from the air grid entirely, because the airlines don't find it profitable enough to travel there.

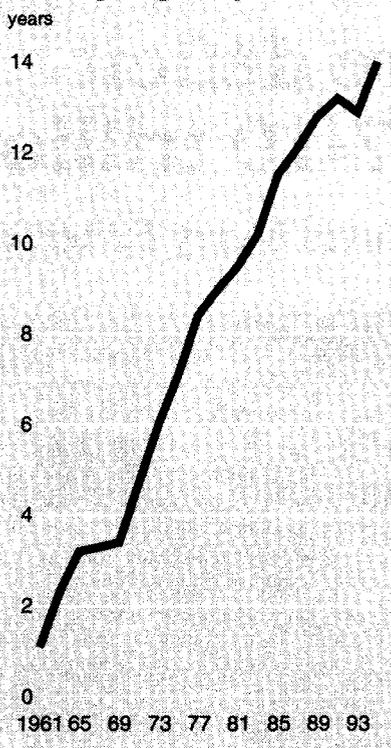
'GOPAC airline'

ValuJet, which is known in some quarters as "GOPAC airline" is engaged in making it worse. The crash of ValuJet Flight #592 on May 11 focussed national attention on just how dangerous ValuJet's policies are, and how hazardous and flimsy, America's weakened air transport system is.

ValuJet was founded in 1993 by Chairman Lewis Jordan, and taken public in 1994. But its largest shareholder is the Wall Street investment firm, Gilder, Gagnon, Howe and Co., which owns 8.2 million, or 15%, of the airline's shares. Richard Gilder, the principal of the firm, is a financial angel for Speaker of the House Newt Gingrich; since 1987, Gilder has

FIGURE 34

Average age of jetliners



poured \$320,000 in contributions into Gingrich's political front group, GOPAC. GOPAC is a leading pusher of deregulation, and promotes turning over the American economy to asset-strippers.

After ValuJet was taken public, Gilder and Jordan quickly amassed a fleet of planes, and took every cost-cutting measure to milk the airline. ValuJet made money for its owners in two ways: First, the owners spent as little as possible for its operation, making some money from ValuJet flight operations; second, by making its stock an attractive play on Wall Street, the owners reaped a steep increase in ValuJet's share price, and thus in their own "shareholder" net worth.

ValuJet purchased a fleet of used and aged DC-9 jets at \$2 to \$5 million per plane, a fraction of what investment in a new plane would be. By early 1996, ValuJet had accumulated a fleet of 51 aircraft, with an average age of 26.4 years, more than double the fleet age of America's three largest airlines, American, Delta, and United. ValuJet also cut corners on maintenance, non-aircraft capital costs, and so forth. Everything seemed to be going along beautifully, until

May 11, 1996, when 110 people paid with their lives, as ValuJet Flight #592 crashed into the Florida Everglades. The very plane which became Flight #592 on that day, and crashed, known by its ValuJet tail number 904VJ, embodies ValuJet's corporate strategy. There was serious doubt whether this 27-year-old plane should have been allowed into the air at all, since in the past two years, it had a string of 10 on-board failures, causing it to abort flights, return to base, or carry out emergency landings:

- On Jan. 19, 1996, the plane returned to Atlanta, Georgia due to a lack of air conditioning and cabin pressure.

- On Christmas Day 1995, the plane returned to Washington Dulles Airport when it would not pressurize. It landed 3,000 pounds overweight, and with a damaged door.

- In October 1995, the plane returned to Philadelphia when a warning light indicated the rear door might be ajar.

- In April 1995, it made an emergency landing in Memphis, Tennessee. After encountering turbulence on a flight from Atlanta to Dallas, Texas, the plane began to descend mysteriously, causing oxygen masks to deploy.

- In January 1995, the plane returned to Dulles Airport for repairs to a hydraulic pump.

- In the same month, it returned to Atlanta because of overheating of a speed drive, a unit that provides constant electrical output. The unit was replaced.

- In May 1994, the plane returned to Atlanta after an engine lost 10 quarts of oil, because of a loose oil cap.

Frank Lorenzo's legacy

One would have thought that after the path charted by corporate raider (and destroyer) Frank Lorenzo a decade earlier, an airline like ValuJet would not be granted a license to fly. But just the opposite is the case.

Frank Lorenzo brought the air transport system to its current perilous state, in the wake of the 1979 airline deregulation, which made Lorenzo's depredations the rule throughout the industry: Either an airline followed his lead, or it was faced with extinction. Lorenzo purchased airlines with leveraged buy-out debt financing, provided to him principally by his long-time business associates, Carl Pohlad, heir of the Kid Cann Minneapolis mob; and Michael Milken of the drug-money-linked takeover firm,

Drexel Burnham Lambert. Then, in order to pay for the expensive debt, he slashed the workforce, especially maintenance, sold off planes, and looted assets.

Into the 1980s, Lorenzo, backed by his financial angels, founded non-union New York Air, and gobbled up Continental Airline, People's Express and Frontier Airlines. In 1986, he took over Eastern Airlines, one of the crown jewels of the American air system. He placed all these airlines under his holding company, called Texas Air. When the dust had settled, through hostile takeovers, Lorenzo's Texas Air had become America's largest airline, and, internationally, was second only to the Soviet state-owned Aeroflot. It handled one-sixth of all U.S. passenger traffic. It now employed over 50,000 workers, with 451 planes, and was earning \$7 billion in annual revenues.

But Lorenzo paid dearly for his high-roller hostile takeover game. By 1988, Texas Air's debt exceeded \$5.5 billion, with very high interest rates, some as high as 17.25%. By 1988, Texas Airlines was falling apart. Lorenzo was stripping the assets of Eastern Airlines, the capstone of the Texas Air "ponzi" scheme, selling off its Kansas City hub, various planes, and looting out cash. According to the estimate of Farrell Kupersmith, an accountant for the Touche Ross accounting firm, between 1986 and 1990, *Frank Lorenzo successfully made off with \$750 million of Eastern's assets.*

By March 1989, Eastern Airlines was placed into bankruptcy. In 1990, a bankruptcy judge deposed Lorenzo as Eastern's owner. On Jan. 18, 1991, a hemorrhaging Eastern, having lost more than \$1 billion, and having been shrunk by 80%, was liquidated and permanently closed. Three days later, a separate bankruptcy court liquidated Pan American World Airways. Pan Am, like Eastern, was one of the pioneer airlines, dating back to the 1920s. By 1992, airline deregulation had resulted in 117 U.S. airlines filing for bankruptcy.

Lorenzo, deregulation, and Wall Street had wrecked the airline grid.

Over 1990-94, the airline industry lost \$13.1 billion. This loss was equivalent to the cumulative profits that the airline industry as a whole had earned from 1920 until 1978. The losses meant that the industry, on balance, paid no taxes for these years, and, because of carried-forward losses, may not pay them for a few more years. With such large losses, investment was cut back for maintaining the essentials of planes and the transport grid.

The rail grid

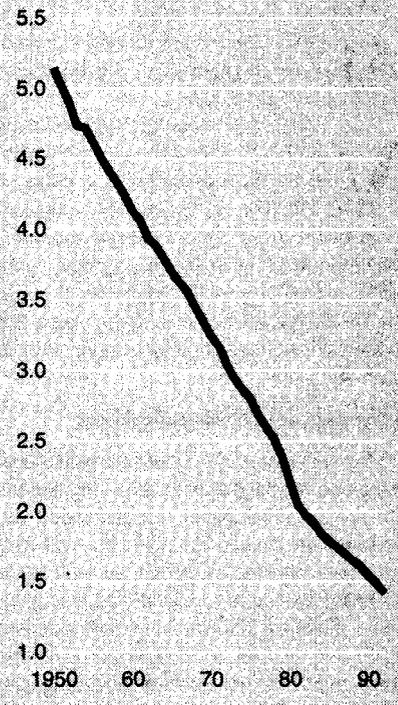
On March 4, thirty-seven cars out of the 89 cars on a Wisconsin Central Ltd. freight train derailed in the town of Weyanwega, Wisconsin. The train was carrying 15 propane tank cars, containing 1 million pounds of propane, shipped liquefied and under pressure. One of the tank cars exploded into flames, creating a huge fireball and destroying a nearby feed mill. Three more propane tank cars rapidly caught fire, igniting buildings along the path of the train. Crews trained in fighting oil well fires were brought in from Texas, and painstakingly built an earthen pit, in which to siphon off and safely burn non-ignited fuel. The town's 1,700 residents were asked to abandon their homes, for five to seven days; it took five weeks before they were allowed back home.

The Wisconsin Central derailment was only one of seven critical rail accidents, claiming more than a dozen lives and causing over 50 injuries, in the month between Feb. 1 and March 4 of this year, when cold and other conditions put added stress on our nation's failing rail grid. In August, a derailment involving more than 30 cars, closed rail traffic for a few days between Alexandria, Virginia, and Richmond, Virginia, choking off goods traffic for many other points north and south.

The fact is that America does not have a rail system to move goods, or people, commensurate with either its real needs, or with even what existed 30 years ago. The rail cartel, run by the British financier oligarchy and referred to as the Big Six—Union Pacific, Southern Pacific, CSX, Norfolk Southern, Burlington Northern Santa Fe, Consolidated Rail (ConRail)—have been engaged in an intensified program of ripping up the nation's rail grid. In 1929, America had 229,530 route miles of track in operation; by 1995, it was down to 109,332 miles. Between 1950 and 1995, on a per-household basis, the Big Six have reduced America's Class I carrier road mileage by 73% (see **Figure 35**). Few forms of infrastructure have been cut so sharply.

But right alongside the cut in Class I carrier track mileage, there has been carnage in every other aspect of rail activity, especially since President Jimmy Carter orchestrated

FIGURE 35
Railroad mileage per 1,000 households



the deregulation of America's rail grid through the 1980 Staggers Act, named after Rep. Harley Staggers (D-W.V.).

Railroad to nowhere

As for the other parameters:

- In 1980, there were 458,000 railroad workers employed; by 1994, there were only 190,000; 59% of the rail workforce had been axed. Many workers 50 to 65 years old, were forced into early retirement; most were skilled, such as engineers or trainmen, with 30-40 years experience. In an insane drive to squeeze out profits, rail crews of four workers per train, have been reduced to three and even two workers. All of this contributes to a decrease in safety.

LeRoy Jones, national legislative representative and executive vice president of the National Brotherhood of Locomotive Engineers, reported in a Feb. 29 interview, "When you remove workers, you remove an extra set of eyes on the train. When you travel, that becomes extremely important, because often an engineer can't see everything because of all he has to do." Moreover, he stated that to compensate for so many layoffs, the remaining workers are worked long hours. They could be told to work 60- to 70-hour weeks, back-to-back double shifts, and

irregular hours. "You can be called to work one day at noon, then the next day at 9 a.m., and the following day at 9 p.m., to work through the night. Your body gets messed up. It's like having constant jet lag."

- In 1980, there were 28,094 locomotives in operation; today, the figure is 18,505, a plunge of 34%.

- In 1980, there were 1,068,114 Class I carrier-owned freight cars in operation; today, that is down to 590,930, a collapse of 45%. The loss in freight-car capacity cripples the food chain: During the summer and winter of 1995, grain piled up on farms and at silos in the Midwest. It could not be delivered because there were not sufficient rail tankers and hopper cars to move it.

Effects of deregulation

The passage of the "free-enterprise" rail deregulation was the excuse for the bankers and the Big Six cartel to restructure the industry to maximize speculation and short-term returns on profit, as well as to deliberately create chaos in the rail grid. The Interstate Commerce Commission (ICC) was created in 1887, which gave the rail service a mission of building the nation. Rate-setting bureaus, in which railroads participated under the supervision of the ICC, set rail rates at levels that allowed a owners to earn a return that covered capital and operating costs, including a fair wage to labor, and some profit, for technological improvement and expansion. The railroads had to agree on a rate for a particular zone of the country, and get the ICC's approval. The railroads had to agree to serve customers, no matter how small, in every region of the country, at the same rate that was offered to large, influential customers.

Nearly a century later, after deregulation, a railroad company could raise its rate as much as 180% of its operating cost, without getting prior ICC approval. It only needed approval, if it went above that level. A spokesman for the Association of American Railroads (AAR), which represents the Class I carriers, explained on Feb. 28, that 130% of operating costs is breakeven. So, 180% is more than 38% above breakeven.

An AAR spokesman explained on March 3 that, prior to 1980, no specific rate of return was aimed for, but records show that an average annual return on net investment of 5-7% was achieved in years which did not have significant economic downturns. He said that today, the industry

is shooting to get an industry-wide 12.2% rate of return, double the level of the 1970s. In 1995, the rail industry was the favorite of Wall Street, as rail stock prices rose 20%.

Worse, there are entire sections of the country, where farmers, businessmen, and manufacturers can no longer get rail service. Rail service is the largest hauler of freight, in both tons and ton-miles, in America. The efficiency of the system is a determinant of the cost of product delivered and of the efficiency and output of all factories and farms. This technological capacity simply no longer exists.

Bridges

One-third of America's 574,671 bridges that are at least 20 feet long, are rated as "deficient" (Table 4). Many of these bridges are badly in need of extensive repair; thousands need emergency replacement. Based on statistics provided by the Federal Highway Administration of the Department of Transportation, 107,435, or 18.7%, of the nation's bridges are "structurally deficient"; an additional 79,124, or 13.8%, are classified as "functionally obsolete," which means they can't handle today's traffic volumes. Together, the two types of

deficiency comprise 32.5% of the nation's total.

Bridges are ingenious structures for crossing rivers or covering distances of up to several miles; because of the brilliant way they are harmonically organized (with many using suspension cables shaped like catenaries), they can support great weight and withstand tremendous stress. Without adequately maintained and safe bridges, America's goods conveyor belt breaks down. Goods delivery and commerce by truck, as well as passenger travel, for all but the shortest distances, would be impossible. Annually, 24% of goods' ton-miles transport is carried out by truck. Most trains, which are the greatest carriers of goods, cross bridges on their daily routes.

That's if they are properly maintained. If not, bridges are death traps.

To deal with the problem, the FHA rates all the nation's bridges on a sufficiency scale from 0 to 100. There are 20,481 bridges, about 4% of the nation's total, that have a sufficiency rating below 20, which is equivalent to between "critical" and "imminent failure." Just 996 of these bridges—that is, 5% of the affected bridges—have been granted repair or replacement funds. Yet, most of these bridges are still in operation.

Worse, 4,534 bridges—nearly 1% of the national total—have a sufficiency rating less than 10. Lest one think that these endangered bridges are in the middle of



A collapsed bridge in West Virginia. One-third of American bridges over 20 feet long are rated "deficient."

TABLE 4

One-third of U.S. bridges are deficient

	Number of bridges	Percent deficient
New York	17,308	63%
Washington, D.C.	239	60%
Massachusetts	5,021	58%
Hawaii	1,070	53%
Rhode Island	734	49%
West Virginia	6,477	47%
New Jersey	6,209	46%
Missouri	22,940	46%
Pennsylvania	22,327	44%
Vermont	2,653	42%
Mississippi	16,725	41%
Oklahoma	22,710	40%
New Hampshire	2,281	38%
Louisiana	13,664	38%
North Carolina	16,085	37%

Source: U.S. Department of Transportation, Federal Highway Administration, "The Status of the Nation's Highway Bridges," June 1995.

nowhere, and don't affect many people, consider a few of the bridges ranked in this category:

Major urban routes

- The Williamsburg Bridge in New York City, with a sufficiency rating of 2. Built in 1903, the bridge carries 95,000 vehicles a day, making it one of the most-travelled bridges in America.
- The Columbia Pike in Arlington, Virginia. Built in 1944, this bridge carries a daily traffic of 56,000 vehicles. It has a sufficiency rating of 2.
- The Presidio Viaduct in San Francisco. Built in 1936, it carries 103,000 vehicles daily—and has a sufficiency rating of 2.

In 12 states, 40% or more of their bridges are rated as deficient. On a state-by-state basis, New York State's bridges are in the worst condition, with two out of every three bridges deficient. Washington, D.C. is a close second. The 15 states with the worst records are also shown in Table 4.

The Federal Highway Administration estimates that \$53 billion a year is required just to *maintain* current road and bridge conditions, and another \$72 billion a year to make improvements, a total of \$125 billion. Under the current fascist budget-balancing mania, annual spending for the combined functions is only \$35 billion.

Water infrastructure

Over the past 25 years, U.S. water infrastructure has not been expanded and repaired at rates to provide for needed economic purposes (industry, agriculture, residential, navigation, flood control) in terms of amount, quality, and distribution. Since 1980, less water is flowing through the U.S. economy as a whole, in both absolute volume, and in per-capita, and per-economic sector terms. The graphs summarize key features of how the U.S. economy is "drying up."

Figure 36 shows that U.S. total daily water withdrawals (water engineering term for water diverted for use, from streamflow, groundwater, and any other sources) grew each year from 180 billion gallons per day in 1950 up to 440 bgd in 1980. Then total daily withdrawals fell back to 399 bgd in 1985; and stayed at 408 bgd in 1990 (the latest year for which data is available from the U.S. Geological Survey).

Figure 36 also differentiates major uses of

water in the economy. Since the 1970s, less water is being used for industrial purposes (hatched tone at the top), for thermoelectric power uses, and for irrigation. Over the past 25 years, water use continued to increase for residential use, and for what the data source lists as "rural domestic and livestock," most of which reflects non-urban residential use.

On a per-capita basis, the overall decline in water in use in the economy (Figure 37) shows up as a dramatic decline since about 1975. To put this in perspective, note that the U.S. economy in 1900 averaged about 500 gallons per day per capita overall, which rose to nearly 2,000 as of 1975, and has fallen ever since.

Figures 38 and 39 show what this means for industry and agriculture. Over the 1950s and 1960s, daily average water use in U.S. industry per capita varied, but mostly stayed at a level of 240 gpd, reflecting the impact of certain technological advances in obtain-

FIGURE 36
U.S. water withdrawals, by sector

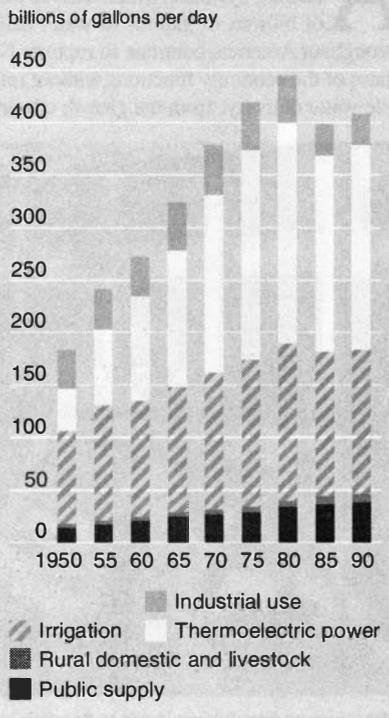


FIGURE 37
Per-capita water withdrawals

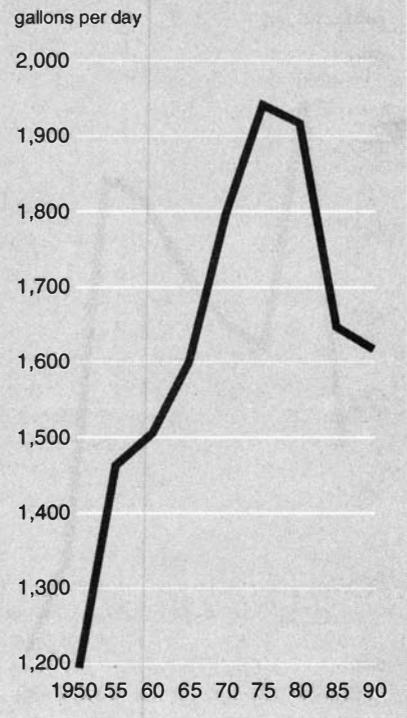


FIGURE 38

Per-capita water withdrawals for industrial use

gallons per day



ing more output of product per unit input of water required. However, the dramatic decline of water in manufacturing, as a per-capita ratio, from the 1970s to the present, reflects the shutdown of U.S. industry.

The use of irrigation water, in Figure 39, likewise shows a sharp decline from a high of 653 gallons per day in 1980, down to 543 gpd in 1990.

These drops in water use directly reflect the way that the U.S. market basket for consumption has been made dependent on foreign water utilization associated with the imports of goods and food. For example, it takes 10,000 gallons to produce an automobile; it takes about 26,450 gallons to tan a ton of hides for shoe leather; it takes, on average, 6,340 gallons, to produce a ton of fruits, vegetables, and juices. Multiply these water factors by the number of cars, the shoes, and food being imported into the United States and you see how the U.S. is "getting by" with using less and less water in the economy: by looting foreign trade partners, and cheating the future.

Water systems

Ancient water mains and water-processing systems, which deliver tens of billions of gallons of water daily throughout America, continue to rupture. No phase of the economy functions without reliable water delivery: from the growth of agri-

culture to the working of industry, from the social prevention of disease to personal biological survival.

Some of the worst ruptures in water systems throughout every part of the country occurred during the "cold snap" of the winter of 1994. Examples include:

- On Jan. 21, 1994, a pre-Civil War, 138-year-old water main burst in Brooklyn, New York, creating a gaping crater at the intersection of Fourth and Clinton Streets that looked as if a meteor had hit the street. The escaping water formed a winter lake that ran over four blocks, flooding and damaging dwelling units along the way. In turn, the flood undermined and broke a gas line. Hundreds of families lost power, water, and heat. The nearby Battery Tunnel had to be closed for over 10 hours.

- In Philadelphia, the ruptures of aging water mains became so frequent that the water system was losing 100 million gallons of water a day, equal to the water supply of several medium-sized cities. By Jan. 24, 1994, the city reservoir system's water supply had plunged to one-third of its required 1 billion gallon level. In response, Philadelphia's water utility cut supply down to a trickle for 547,000 of its citizens, and shut off water altogether to others.

- Even on a normal basis, the water system of Boston, through leakage, loses billions of gallons of water every year.

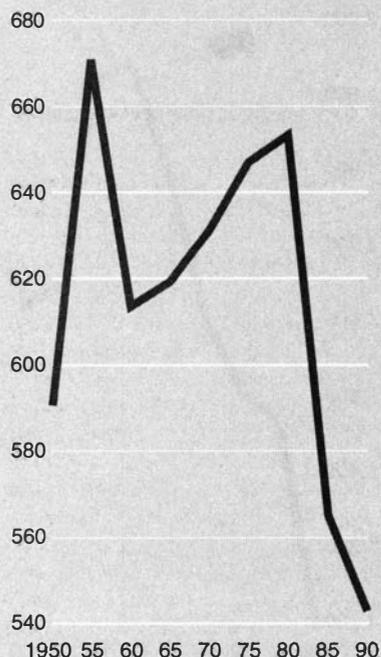
No action on a national plan

The water delivery system in the United States comprises 436,000 miles of pipes, enough to encircle the circumference of the Earth more than 15 times. Each year, there is

FIGURE 39

Per-capita irrigation water use

gallons per day



Infrastructure breakdown leads to flooding in downtown Chicago, April 1992.

one break for every 3.7 miles of installed water main, adding up annually to over 117,000 miles of broken water piping. U.S. public works projects replace only 2,300 miles of pipe per year—less than 2% of the broken mileage.

The lack of commitment to funding for infrastructure is the cause of this problem. The lack of funding itself is caused by 1) the depression, which has dried up tax revenues on both federal and local levels, and 2) the widespread acceptance of the budget-cutting mentality typified by Wall Street darlings Sen. Phil “Landfill” Gramm (R-Tex.) and Newt Gingrich. This ideology views improvements and even maintenance of infrastructure as less important than so-called “cost-efficiency” accounting.

Take the old cast iron pipes in the nation’s water systems that, when corroded, can handle neither the temperature nor pressure stresses. Some 48% of the nation’s water main system is cast iron; the percentage in older cities is 70-90%, where the iron pipes on the East Coast and Midwest range from 100 to 140 years old.

Newer forms of ductile iron, that can withstand many of the problems described above, do exist. But, installing just one mile of the more elastic ductile iron in densely populated areas can cost \$1 million. This places the true unpaid bill, for just replacing the cast iron pipes at \$210 billion, not including the cost of replacing or repairing ductile iron pipes that have corroded.

Cortez White, general manager of the Washington Suburban Sanitary Commission in the District of Columbia, which covers a 4,700-mile system, reported, “In 1986, we identified \$700 million worth of projects we considered critical, but the number grew so big we don’t even calculate it any more. We just don’t have the money to do it,” he said (emphasis added). The commission experiences, on average, 1,200 water main breaks a year.

Harmful microbes, including the potentially deadly *cryptosporidium*, were found in the Milwaukee water system in 1993, and were suspected in the Houston and Washington water systems. This comes from not regularly cleaning pipes or valves. The last time the valves in Washington were even systematically tested was 20 years ago.

At the current rate, most area utilities replace only about a dozen miles of pipe each year, which means that it would take more than 200 years to rebuild each area’s water supply system: In reality, they won’t last that long.

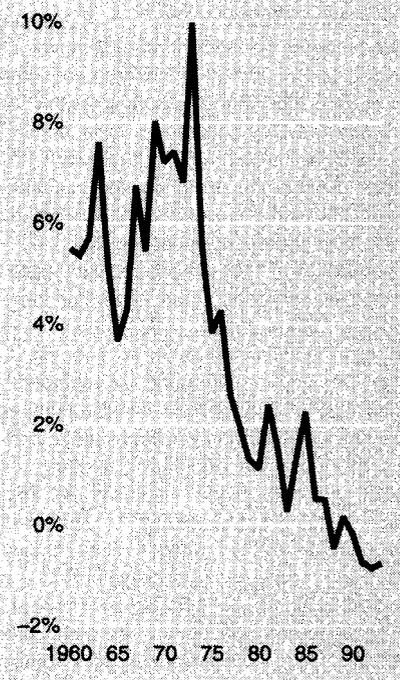
The power grid

In 1978, net additions to U.S. electricity generating capacity (Figure 40), measured on a per-capita basis, fell below an annual rate of change of 2%, for the first time since 1947. This only marked the midpoint of a collapse that began in 1974, when the rate of change in net additions to generating capacity fell to 5.53%, from 9.97% in 1973. In 1988, there were *no* net additions to per-capita generating capacity; in fact, this measure of energy actually began to shrink, declining by 0.46% that year, and becoming even worse in subsequent years, with a rate of collapse approaching a full 1% annually in 1991 through 1993.

This decline in the United States’ ability to produce sufficient electricity per capita, comes at the same time that per-capita consumption of electricity continued to increase, albeit at a rate in the 1980s and 1990s that was less than half the average of 7% recorded in the 1960s. What this means is that the reserve margin of electricity-generating capacity, is rapidly eroding. While the electric utility industry would generally like to have a reserve margin of 17% to 24%, to meet peak demand (for example, in extraordinarily hot or cold weather), and to handle unforeseen plant shutdowns, some areas of the United States now have reserve margins of 10% or less.

It has become nearly impossible for utilities to bring new power plants online in a reasonable amount of time, because of the irrational demands of the organized environmentalist movement, and the looming deregulation of the industry, which will end the public policy mandate of the utilities to supply reliable electric power at reasonable prices, in return for a monopoly and a guaranteed modest rate of profit. It is well known that over 100 nuclear power plant construction projects have been cancelled since the mid-1970s; it is less well known that 80 baseload coal-fired plants have also been cancelled. It is symptomatic of the U.S. economic takedown, that the economy now relies on aging facilities such as the Conowingo hydroelectric plant on the Susquehanna River, northeast of Baltimore. The largest hydroelectric plant on the U.S. East Coast, Conowingo’s main turbines were installed in the 1920s, and

FIGURE 40
Annual change in per-capita electric generating capacity



are still in use.

Danger: utility deregulation

The blackouts on the U.S. West Coast on Aug. 10 point to the dangers of deregulation, which will force transmission lines originally designed for the local distribution of electricity between power plants and homes, offices, and factories, to be used as “highways for large bulk transactions,” according to Paul McCurley, manager of power systems for the Edison Electric Institute. In its 1991 Annual Report, the North American Electric Reliability Council (NERC), which has nine regional councils, warned that legislation being considered by Congress (supposedly to “foster competition in the electric utility business”) would allow the “mandated use of [transmission] facilities by someone other than the owners. Mandated transmission services could prove fatal to the standards of reliability the public deserves and expects.”

Health and education

There are some 80,000 schools in the U.S. public education system. Based on a recent survey, up to 60% of them are in need of serious repair.

In February 1995, the General Accounting Office of the U.S. Congress issued a report on the first national survey of the physical condition of schools conducted since 1965. The GAO's report, designed for the Department of Education's 1994 "School and Staffing Survey," was sent to over 5,000 school districts, inquiring into the condition of 10,000 of the nation's 80,000 schools. Some 78% of the districts responded.

One-third of U.S. schools require "extensive repair or replacement of one or more buildings." Almost 60% of U.S. schools have one major building which needs "to be extensively repaired, overhauled, or replaced." About half of U.S. schools report having at least one unsatisfactory environmental condition, such as poor ventilation, heating, or lighting, or poor physical security. An estimated \$112 billion is needed to repair and upgrade U.S. school facilities to a satisfactory condition, and give America's children a proper and functioning learning environment.

Many school officials told the GAO that their districts have been forced to defer "vital maintenance or repair expenditures from year to year due to lack of funds"; they cite the refusal of citizens to accept new taxes or pass new bond issues to generate the funds required to provide children with an acceptable learning environment. In fact, the erosion of the job and tax base for local and state revenues of all kinds is reflected in the citizens' "revolt" against school bonds.

In a second report in April 1995, the GAO focused on the capability of the nation's schools to provide proper forums for the teaching of skills needed for the 21st century. About 40% of U.S. schools do not have proper laboratory facilities in which to convene science classes. Some 14 million American students are thus deprived of a decent science education. One-quarter of the nation's schools do not have enough computers for students, and over half of all schools lack modems for their computers to communicate with outside resources. In other computer infrastructure, 61% lack sufficient phone lines for instructional use; and 46% lack proper electrical wiring for modern

computer and communications equipment.

For example, an elementary school in Ramona, California reported that it has only two electrical outlets in each classroom, and that circuit breakers are tripped when four teachers attempt to use their outlets at the same time.

The \$112 billion estimate of the GAO is probably far less than what would be required if a serious revamping of the nation's school systems was launched as part of economic emergency measures. Thousands of new facilities should be built, "from the ground up." Every U.S. city operates with school facilities that were built during the 1920s and 1930s public works programs, and which should have been replaced beginning in the 1970s. The GAO found some school buildings were over 100 years old!

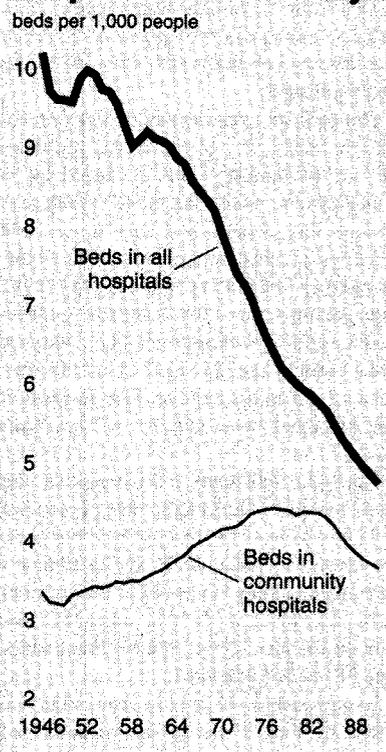
Many schools built in the 1960s and 1970s were designed to have a useful life of only 20 to 30 years, and are sometimes in even worse physical condition than schools that are much older. A particularly glaring problem are the temporary classrooms that many schools erected to handle the baby boom in the 1960s. These portable classrooms are basically mobile homes set on concrete pads, and were designed to last 10 years. However, many schools are still using these temporary classrooms 20 to 30 years after they were erected—even though they are now in terrible condition, literally coming apart at the seams.

Too few hospital beds

Figure 41 shows a basic marker of adequacy of health care facilities in a nation—the number of hospital beds per 1,000 people. As of the 1990s, the national average number of beds per 1,000 in the United States, around 3.7, is way below the standard of what modern medicine can provide, and for many locations, far below the conditions prevailing before World War II, when appendicitis, maternal childbirth deaths, and other mortality rates claimed lives for no reason except the absence of hospitals.

In 1946, when post-war legislation (the Hill-Burton Hospital Survey and Construction Act) was passed, there were about 3.5 community hospital beds per 1,000 Americans, and 10 beds of all types (mostly reflecting the polio wards, and tuberculosis infirmaries). Hill-Burton set a goal of a bed ratio of about 5 to 5.5 community hospital beds per 1,000, and

FIGURE 41
Hospital bed availability



accordingly set off a construction mobilization. At the same time, applied medical research all but eliminated TB and polio.

In the early 1970s, a level of about 4.5 beds per 1,000 was reached, close to the 1940s Hill-Burton goal. A hospital stay was relatively affordable, and the facilities were available. As of the 1970s, many more medical procedures were done on an outpatient basis, relieving the need for beds; but, balancing this out, many new medical procedures had been developed, unheard-of in the 1940s, such as hip and knee replacements, new types of heart surgery, and organ transplants. These latter advances required in-hospital stays.

Then, over the past 25 years, the hospital bed ratios were downgraded, dropping from about 4.5 beds per 1,000, back down to 3.7. At the same time, specialty beds ratios are also falling, even though needed for AIDS, TB, and other new and resurgent diseases.

What this national decline in bed ratios signifies, is that in many inner city locations and most rural counties, out of the 3,089 counties in the United States, the beds, equipment, and medical staff do not exist at the ratios needed to maintain public health and prolong life. There are locations in Alabama, where a woman faces driving five counties away to deliver her baby in a hospital.

While the U.S. economy collapses, the bubble grows

by John Hoefle

While the physical economy of the United States has declined dramatically over the past three decades, dropping some 50% since 1967, the financial world has been seemingly booming, through the growth of a financial bubble the likes of which the world has never seen.

The process which is under way is shown by LaRouche's disintegration collapse function (p. 13), in which the financial and monetary aggregates grow hyperbolically, as the physical economy contracts. The faster the bubble grows, the more the physical economy must be looted to feed it, which in turn lessens the ability of the physical economy to service the financial demands placed upon it by the bubble. Ultimately, such a process must collapse.

This collapse will not take the forms of which most people think, when talk turns to economic collapse: sharp drops in stock markets, runs on banks, devaluations of currencies, hyperinflation, and similar shocks, in which sections of the financial system collapse, but the system itself remains standing. These are mere symptoms—symptoms increasingly evident in the financial world today—of a completely different type of collapse: the disintegration of the global economic and financial system itself.

Out of control

The level of financial turnover—the total value of all buying and selling of financial assets—has skyrocketed in the United States over recent decades, from \$534 billion in 1956, or \$1.22 in turnover for every dollar of Gross Domestic Product, to \$500 trillion in 1995, or \$70 for every dollar of GDP. When financial turnover increases at such a rate relative to GDP, which itself significantly overstates real economic activity, it is clear that the financial world has become detached from reality.

Relative to *EIR*'s physical economic index, U.S. financial turnover has grown some 400-fold since 1967, a dramatic and unsustainable increase in the level of financial claims against the economy.

To service these financial claims, the federal government has rapidly increased the money supply, as represented by the second

curve of LaRouche's triple-curve function.

It is this necessity to feed dollars into the bubble, to prevent the bubble from collapsing due to lack of liquidity, which is the driving force behind the federal budget deficit. The determination of the Federal Reserve to feed the bubble, combined with the loss of hundreds of billions of dollars of tax revenue due to the collapse of the physical economy, is the culprit—not welfare mothers, the elderly, or hungry children. The borrowing of the federal government, to generate a money supply which is then leveraged to create money to support the turnover, causes both the budget deficit and inflation.

This money-creation process must escalate as the bubble grows. Despite rapid increases in the M1 money supply (cash, travellers' checks, and checking accounts), there is some \$440 in financial turnover for every dollar of M1, twice the level of 1990, and some 13 times the level of 1980.

It is in this context that the demands by Newt Gingrich and his "Contract on America" crowd to balance the budget must be measured. Gingrich's goals of tax breaks for speculators and deep cuts in the social safety net, are of the same cloth; both policies serve the same end, by increasing the flow of funds available to the financial bubble. Such policies are killers, as demonstrated in Pennsylvania, where Gingrichite Gov. Tom Ridge's cuts in medical assistance, have already caused several known deaths.

'Controlled disintegration'

The prospect of throwing citizens to the wolves in order to feed a financial bubble which cannot survive, would seem to be insane, and it is. But the madmen behind this plan—the international financial oligarchs who pull the strings of Gingrich and his fellow puppets—know exactly what they are doing. Their purpose, as then-Federal Reserve Chairman Paul Volcker admitted at the beginning of the 1980s Reagan-Bush economic bubble frenzy, is the "controlled disintegration" of the U.S. economy.

The Reagan-Bush "economic boom" of the 1980s, to which Republican Presidential candidate Bob Dole would have us return, was a gigantic swindle, in which the nation

went deeply into debt. The total debt in the U.S. economy increased from \$4.8 trillion in 1980 to \$14.5 trillion in 1990, a threefold increase. By comparison, GDP less than doubled, from \$2.7 trillion in 1980 to \$5.5 trillion in 1990. To gain a \$2.8 billion increase in GDP, we went \$9.7 trillion in debt, meaning that we took on \$3.46 in debt for every \$1 gain in GDP.

Were the nation incurring such debt in order to expand the productive sector of the economy—manufacturing, agriculture, science, infrastructure, education and the like—such debt would be beneficial, and would be more than paid off by the economic capacity it allowed. But just the opposite has happened; we have incurred huge debts while stripping the productive capacity of our society, and slashing the standard of living of most Americans, whose welfare and even lives are being sacrificed to the bubble.

Stop the insanity

To see this insanity at work, one need merely examine the economic news, as presented by the national media. The Dow Jones Industrial Average—which long ago ceased being industrial—goes up when the economic news is "bad," and down when the news is "good." A rise in wage levels, which by any competent standard is good for the country, drives the Dow Jones down, while a rise in unemployment causes the Dow to jump. The reaction of the stock market speculators is similar to that of a hungry vulture: Signs of life in the prey are considered bad news.

Another example of this insanity, is the so-called debate among economists and policymakers as to whether growth above 2.5% a year will cause the economy to "overheat" and thereby cause inflation. As *EIR*'s market basket study shows, there is no economic growth—the economy has declined at a rate of some 2% a year since 1967—and inflation is caused by the Fed's feeding of the bubble.

The first step in reversing this disastrous course, is for people to admit the obvious: The economy is collapsing, heading for disintegration, and our economic policy is in the hands of an oligarchy which is orchestrating our destruction for their own benefit. Call it by its name: fascism. Then defeat it.

Washington's cowardice risks a new war in Bosnia

by Umberto Pascali

A tragedy was narrowly averted in Bosnia during the Sept. 14 elections, and the danger is far from over. On the basis of electoral fraud, dirty tricks, and irregularities, the candidate of Radovan Karadzic's Greater Serbians, Momcilo Krajisnik, was almost "legally" elected to become the new President of Bosnia. Krajisnik, suspected of and investigated for war crimes, received, according to the official results, 690,373 votes, while President Alija Izetbegovic received 729,034 votes.

Izetbegovic's margin of victory was small, but the plan had been to reduce his constituency by fraud and "bureaucratic mistakes," and then to split it with the other Muslim candidate, former Prime Minister Haris Silajdzic. And thus, the mechanism of the Dayton Accords, which calls in principle for a united, sovereign, multiethnic Bosnia, would have brought a butcher into the Presidency!

The legal blitzkrieg

A Krajisnik victory would have forced the Muslim population, the majority in the country, into desperate reactions. Bosnian Ambassador-at-large Nedzib Sacirbey described what happened with the few Muslim Bosnians who were allowed to vote in their own towns, now in the hands of the aggressors in the "Serbian entity." "When the Serbs and the Organization for Security and Cooperation in Europe [OSCE] choose to locate the polling place across from a mass grave, when the Serbian policemen who accompany the Muslim refugees to vote, are the same who kicked them out during the 'ethnic cleansing,' then this is a form of intimidation," he said.

Under these conditions, in which an accomplice of the mass murderers would have won the election, a confrontation could have easily ensued and the Anglo-French "puppet mas-

ters" would have then proclaimed the "clear necessity" for a partition of Bosnia.

This would have led to a more violent spiral of aggression and violence. The genocidal plans for which the Greater Serbians had been originally deployed, had been momentarily frozen by the Dayton Accords. In this way, those plans would have been made operational again; this time, it would have been almost impossible to stop them.

Fortunately, an opposition coalition in the Serbian "entity" within Bosnia (the so-called Republika Srpska), put up a candidate, Mladen Ivanic, who received 305,803 votes, thereby blocking Krajisnik's designs on the Presidency.

The forces that were the string-pullers behind this "legal blitzkrieg" are easily identified: the usual suspects, such as Henry Kissinger and George Soros, who had the whole George Bush apparatus and the dwarfs of London and Paris behind them. But this is not the whole story. The perfidy of the enemy is never an excuse for defeat. The other necessary element is the stupidity and cowardice of "our army."

In this case, the tragedy almost occurred because the U.S. government, or relevant parts of it, determined to have the elections, regardless. According to sources, there had been an ongoing debate inside the White House over the elections. The dangers implied in that decision were known, but the decision was taken anyway.

The OSCE committee, under U.S. Ambassador Robert Frowick, which organized the elections, was forced to postpone the municipal elections, also scheduled for Sept. 14, because of the incalculable number of Serbs who had been fraudulently registered to vote (including dead people, citizens of Serbia, etc.). Still, the elections for the Presidency, and the national and local parliaments, were kept on schedule. In vain, Izetbegovic's party, the SDA, and others, asked for

assurance that the elections would be “free and fair” according to the Dayton criteria.

One week before the elections, on Sept. 8, Kissinger came out with an ultimatum for the partition of Bosnia, in an op-ed in the *Washington Post*. With his usual perverted logic, Kissinger argued that the “present electoral travesty in Bosnia should be abandoned,” because it would lead the United States “into participation in a civil war in Bosnia.” Not so strangely, Kissinger was forecasting a re-explosion of the civil war after the elections.

Kissinger stressed that the results of the aggression must be accepted as a *fait accompli*, because the “ethnic cleansing” had been successful. “With extensive ethnic cleansing, only the most insignificant remnants of other groups [i.e., the victims] are left in each area,” he wrote. Indeed, the genocide had achieved stability, he said, and thus “to force these now ethnically homogeneous regions [!] into a common entity, guarantees another round of ethnic cleansing in order to reverse the consequence of the last round.”

“Crimes such as the Serb slaughter of Muslim prisoners in Srebrenica are despicable,” he said. “The case could have been made, in the early stage of the conflict, that Serbian conduct was so egregious a violation of our moral convictions that response to it was clearly necessary. But that moment was permitted to pass.” And so now, partition has to be accepted. According to Kissinger’s logic, the fact that the Nazis had conquered and “ethnically cleansed” Poland, should have been accepted on behalf of “stability.”

Kissinger, the Republican Party’s foreign policy cult figure, states clearly that a partition of Bosnia must be accepted, and the elections will show that there is no other way. Indeed, the election of Krajisnik to the Presidency, would have vindicated Kissinger.

Kissinger’s recipe? “Realistically, a separate Muslim entity may be the best achievable outcome. It would be a solution most compatible with the principle of self-determination and most conducive to long-term stability. The other ethnic groups should have the same option or join their mother countries. . . . Once ethnic lines are given international status, the cease-fire will be much easier to enforce.”

De Charette’s ‘new President of Bosnia’

As if to show that Kissinger’s scenario was the only possible solution, on Sept. 16, two days after the elections, while the votes were being counted and the enormity of the fraud in Republika Srpska became evident, French Foreign Minister Hervé de Charette, in a public announcement, endorsed the victory of Krajisnik. While talking to journalists about the coming meeting in Paris of President Izetbegovic and Serbia’s Slobodan Milosevic, the French minister said that “they could be accompanied by the new President of Bosnia.”

While De Charette was recognizing the coup that did not take place, the British propaganda machine was preparing the world to accept a shocking victory of the Greater Serb

candidate. Reuters news agency began to issue wires on how the “gap” between Izetbegovic and Krajisnik was being quickly narrowed. There were moments of drama and possibly panic in Sarajevo, but also in Washington.

Izetbegovic: ‘Unity and justice!’

But the plot failed. On Sept. 18, President Izetbegovic announced: “The results of the elections show that I have been elected, by the highest number of votes, President of the future Bosnia-Herzegovina Presidency. I would like to thank all the citizens who voted for me. I am totally aware of the responsibility imposed by this nomination. I would like to repeat once more what my political aims are. In the short term, they are: unity of Bosnia, and justice.”

Ambassador Frowick, as head of the Temporary Electoral Commission, stated that it had been established that, in the Republika Srpska election, there were 170,000 more votes than registered voters. But, incredibly, the statement did not lead to any request for the cancellation of the election results there.

The fight of Izetbegovic’s party to stop the electoral fraud had started long before the elections. But the President had been put in a terrible situation. He was under heavy pressure from the U.S. representatives to go along with elections that he knew could spell terrible consequences for his country. At the same time, he kept stressing that the United States must be considered the key ally of Bosnia. These two crucial elements—the need to protect his country at any cost, and the need to preserve Bosnia’s friendship with the United States—risked a policy failure. In a statement issued after meeting U.S. envoys Richard Holbrooke and John Kornblum, Izetbegovic stated:

“We thank all the participants of the international community . . . for their efforts in support of the elections process. In many parts of the country, the elections provided Bosnian citizens with a real opportunity to express their democratic will. . . . In some areas of the country, specifically the Serb entity, there were reports of serious irregularities in the conduct of the election process. Some of our political parties have already expressed their grave concern. The Government of Bosnia-Herzegovina will also present its concerns as the facts are further ascertained and will submit the relevant evidence to the proper forums for the necessary response. We wish that all efforts be undertaken to correct any serious deficiencies and irregularities.

“We remain committed, with the necessary contributions and efforts of the international community and other parties, to the full implementation of the Dayton Agreement and to ensure that the necessary preconditions for free and fair elections are achieved. . . .

“The U.S.,” he concluded, “has a particularly key role and decisive responsibility in this effort. The U.S.A. and Bosnia are committed to working together in the post-electoral period.”

Italian state opens showdown against secessionist Northern League

by Claudio Celani

After the failure of the Sept. 15 secessionist demonstration organized by the Northern League, which was supposed to show mass support for Umberto Bossi's lunatic project of a Northern Italian nation called "Padania," Italian state authorities have moved against the League leaders, starting a long-awaited showdown. As of this writing, five national prosecutors have opened investigations against Northern League leader Bossi, for crimes ranging from "slander" (a misdemeanor) to the serious "attempt against the unity of the state," which is punishable with life imprisonment. If any of the League leaders are believed to have committed the crime *in flagrante delicto*, they can be arrested immediately.

However, although the evolution of the Northern League into a racist, fascist-like movement with its own militia cannot be ignored, some observers are worried about the ability of state authorities to implement a serious crackdown. A faction in the Italian liberal establishment, allied to the City of London, supports the League, and is pushing to radicalize the conflict in order to weaken the state institutions and implement free-market economic reforms. Therefore, the state must neutralize the Trojan horse inside its institutions; thus only, can it hope to be effective in the decisive fight for its survival.

The Padania flop

If the plans cooked up in the British Foreign Office had gone through, Sept. 15 would have given a shock along the whole "southern flank" of Europe, accelerating the strategy for demolition of sovereign nation-states. On the same day that the Serbian fascists were supposed to win elections in Bosnia, Italy's Northern League was expected to mobilize a mass demonstration for the symbolic birth of "Padania," the entity encompassing northern Italian regions, which is supposed to secede from the Italian nation, according to Bossi's lunatic proclamations. But events have taken another turn.

It is known that the huge vote garnered by the League in the last national elections (up to 30% in regions such as Lombardy and Veneto) is mainly a protest vote, and League voters do not support Bossi's secessionist intentions. However, a mass turnout would have inserted the League back into the political game from which it has been recently excluded. Above all, this would have helped defeat the resistance, in the present government coalition, to radical budget-cutting and privatization policies demanded by the International Mone-

tary Fund and the so-called "financial markets."

But instead of the millions of people promised by Bossi, a few tens of thousands showed up at the three-day pagan celebrations on the Po River, culminating in a rally in Venice, the chosen capital of the "Padania" state. On Sunday, in Venice, according to the League, there were 70,000 people; according to the press, 30,000; according to the Carabinieri (military police), 18,000; according to the national police, 15,000; according to the city police, 10,000. In contrast, a counter-demonstration called by the conservative National Alliance party in Milan, drew a crowd of 150,000.

The lack of a consistent popular support for Bossi's lunacies prompted Italy's President Oscar Luigi Scalfaro to give the green light for a crackdown. In a speech on Sept. 15, Scalfaro, a former prosecutor who presides over Italy's Superior Council of the Magistrates, the governing body of the Judicial branch, declared that the Judiciary should move and find out whether League leaders could be prosecuted because of their secessionist campaign.

The next day, Francesco Borrelli, chairman of the Milan prosecutor's office, declared in an interview with the daily *Corriere della Sera*, "We are a step before a legal prosecution" against the League. Borrelli's statements gave a signal at least as important, if not more, as Scalfaro's. In his capacity as director of the self-proclaimed Clean Hands "anti-corruption" campaign, Borrelli has been one of the most powerful Italian figures in the last years. Due to its role in virtually destroying Italy's traditional political system, the Clean Hands pool has been characterized as "the real government."

Bossi's game

Prosecuting League leaders is not difficult. In fact, they seem so eager to provide grounds for constitutional violations, that one has the impression that they want to be prosecuted. For instance, in Mantua, during his voyage along the Po, Bossi called on the "government of Padania," a farsical body formed by League members, "to start recruiting a Padania national guard." The next day in Venice, in front of the few thousand Leaguers, he had the Italian flag pulled down and replaced with the "Padania" flag, a stylized green flower symbolizing the "Sun of Padania." The ceremony was guarded by 300 "Green Shirts," the League's militia. Bossi then read the result of the "referendum" organized among

League supporters (2 million, according to the League; fewer than 130,000, according to police), who overwhelmingly voted for separating "Padania" from the Italian state, and announced that the secession would be completed in one year.

On the next day, both the Mantua and Venice prosecutors' offices opened official investigations. On Sept. 18, the police entered League headquarters in Milan, seizing records by force against resisting militants. In the violent confrontation, League number-two man Roberto Maroni was slightly wounded. Forty-eight hours earlier, Maroni had shown up with Bossi at a press conference where, before the international media, Bossi had declared: "If they arrest me, I will declare myself a political prisoner, and you know what will happen then."

Experts on "strategy of tension" scenarios consulted by this writer suggest that Bossi wants to provoke a reaction in order to play the martyr, confident that, at present, a legal action would not have "facts" (besides his statements) to really hurt him. A token action against the League, in the judgment of observers, would provoke a reaction from League extremist fringes, ready to start a Corsican-like terrorist upsurge.

Gladio and George Bush

The League is pre-programmed to work in such a direction. Sections of Italy's "parallel secret service," which played a role in staging terrorism in the 1970s and 1980s, have placed themselves at the highest level inside the party. For example, it has been revealed that the chairman of the League Parliament group, Domenico Comino, was recruited into the NATO secret organization "Gladio," a "stay behind" network which was supposed to fight against a possible communist military attack against Italy. In reality, behind the official structure, Gladio covered for a parallel one, which ran destabilization operations, including acts of terrorism. Documents from the military secret service, SISMI, now in the hands of the Parliament Investigating Committee on Terrorism, show that Comino was assigned to the Fourth Special Training Center of Gladio, in Asti, which, since the middle of the 1980s, was in charge of dealing with organized crime and industrial security, activities which are far away from the original aims of the structure.

Other documents, seized by investigators after the Andreotti government, in 1990, revealed the existence of the secret Gladio organization, show that its members were trained for actions aimed at promoting separatist insurgencies.

But Gladio was not an "Italian" operation. It was part of NATO and, as such, run by British and pro-British American command structures, which overlap with George Bush and Oliver North's international drug-running and terrorism operations.

Not accidentally, the name of George Bush surfaces in one of the five investigations of the League, code-named "Phony Money," run by the Aosta prosecutor's office headed by Dr.



LaRouche Campaign Is On the Internet!

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TO REACH the LaRouche page on the Internet:

<http://www.clark.net/larouche/welcome.html>

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Davide Monti. In an interview with *EIR* last June, Monti had pointed to the existence of an "international secret service structure" supporting a money-recycling scheme he had uncovered, in which prominent League members were involved. In the investigation, the name of Bush had emerged, through the law firm of James Baker III in Houston. This firm had assisted League-connected figures in a scheme designed to lure Russia into buying old Weimar Germany Gold Bonds at a discount, and using them at face-value to pay back outstanding debts to the German government. Such an operation, Monti stressed, would have destabilized Germany. The scheme also involved investments in derivatives speculation, forgery, and fraud. Key to the operation was Alvaro Robelo, a Nicaraguan banker, well connected to high-level Contra circles.

On Sept. 18, a committee of the Italian Senate gave Monti the green light to force Bossi to appear in Aosta in order to be interrogated on the "Phony Money" scheme.

A breakthrough in this investigation would give public exposure to the real international dimension of the secessionist threat. At the same time, the Italian government and pronation forces must recognize that the problem to face is the economic collapse due to free-market policies, a collapse which has generated the electoral support for the League. That protest vote can be manipulated to destroy the nation even after Bossi and company are removed from the scene.

Belgium arrests tied to Iran-Contra scandal

by Dean Andromidas

Belgium has been rocked for the last month by the uncovering of the pedophile ring responsible for the murder of four young girls, and by the arrest of 20 people in connection with the 1991 killing of senior Belgian politician André Cools. But this is only the tip of the iceberg of an extensive political-criminal complex in Belgium, which can be described as the Belgian equivalent of Italy's infamous "Propaganda-2" scandal in the early 1980s. Indications are emerging that this political-criminal complex has international connections, including to the Iran-Contra operations of George Bush and Oliver North during the 1980s.

On Aug. 17, acting on information given by local citizens, Belgian police rescued two young girls held captive by the pedophile Marc Detroux. It was soon discovered that Detroux was heading a pedophile ring. Within days, authorities unearthed the bodies of four young girls. While the case began as yet another horrible child sex ring scandal, it soon expanded into proportions that have overturned the population's faith in their own government. Within two weeks, over 30 people, including police and judicial authorities, were arrested.

Among those arrested was Jean Michel Nihoul, who, operating out of an office on the prestigious Avenue de Louis in downtown Brussels, coordinated the financial side of both the pedophile ring, as well as a stolen car ring, with which Detroux was also discovered to have been involved. Nihoul was said to have financed seven properties in Belgium from which Detroux operated. He also had a villa somewhere in the Caribbean. Some of the proceeds from these and other operations, found their way into foreign bank accounts and real estate. A Belgian intelligence source told *EIR* that Nihoul had been a target of investigation as early as 1973, for financial fraud, money laundering, prostitution, and other crimes.

At this time, Nihoul was close to right-wing politicians of the Christian Socialist Party, whose activities were tied to the World Anti-Communist League. In the 1980s, he was involved in an ecological cult called Eco Vie, whose leader, Jan Williams, a Canadian who founded the cult in France, was thrown out of the country when the group was found to be a cover for criminal activity, including pedophilia. Williams ended up in Belgium, where Nihoul allegedly financed his purchase of a castle outside of Liège, where he became en-

gaged in similar activity. Williams was eventually extradited to a third country.

Also questioned, but not arrested, was Casper Flier, a Dutchman and convicted drug-trafficker who had at one time specialized in the illegal trade of paper used in the forging of currency and securities.

From child sex ring to Murder, Inc.

No sooner had these arrests exposed a level of corruption that many believed would lead to the highest political levels, than the government announced the arrest of the alleged murderers of Cools, followed by over 20 more arrests. Among those arrested were two former ministers, Alain Van der Biest and Guy Mathot, who were also leaders in the Belgian Socialist Party of the Francophone region of Wallonia. Cools's son, the Liège-based attorney Marcel Cools, called for the resignation and investigation of former Belgian Justice Minister Melchior Wathelet, now Belgium's judge at the European Court of Justice, for leading the obstruction and cover-up of an earlier investigation. That earlier, 1991 investigation, had identified the same suspects now under arrest, and had been led at the time by the same investigative judge who is now overseeing the Marc Detroux pedophile case.

The population generally has not been ready to accept the government's version, that there is only a very minor link between the two cases.

The international dimensions

Some people in Belgium, and, no doubt, in Great Britain and the United States, would like to confine this scandal within the borders of Belgium, even if it means breaking the country apart between its Flemish- and French-speaking halves. Nonetheless, tremendous evidence points to a scandal with international dimensions.

Cools was shot to death after he had threatened to reveal vast political corruption schemes involving arms deals, drug trafficking, and illegal financial operations. Among these cases was the Augusta helicopter affair, which last year led to the resignation of NATO Secretary General Willy Claes.

The Belgian press reports that prosecutors are trying to develop a case around the theory that the motive for killing Cools involved the corrupt concerns of only the small circle of conspirators now under arrest. But, is that enough to explain the vast network of corruption that appears to reach into the highest levels of the Belgian judicial system, if not the government? It has been alleged that the murder is linked to a scandal involving kickbacks to the Walloon Socialist Party by the Italian helicopter manufacturer Augusta, which was supplying helicopters for the Belgian Army. That scandal was also linked to similar corruption scandals around former Italian Prime Minister and Socialist Party head Bettino Craxi. But that scandal came to light only after Cools's assassination, and was exposed by the same judicial authori-

ties responsible for the cover-up of the earlier investigation.

The investigative magistrates have been busy looking into kickbacks to politicians from weapons purchases to their own governments, and calling it "political corruption." Nonetheless, these same arms companies were involved in illegal arms sales to warring Iran and Iraq, which were initiated with the full backing of the Reagan-Bush and Thatcher governments in the 1980s. In many cases, these same politicians, now under threat of long jail sentences, were not only involved in those Iran-Iraq deals, but are clearly in a position to name the names. In the early 1980s, Augusta was exposed in a deal to sell a large number of helicopters to Iran. That deal reportedly involved U.S. intelligence operative Michael Ledeen, who was at the time adviser to then NATO commander Gen. Alexander Haig.

Most informed observers agree that Cools was in a position to name the names in some of these Iran-Iraq arms deals. Only a few days before his murder, and after conducting his own investigation in Geneva and Lucerne, Switzerland, Cools had announced to the press that he would make some startling revelations upon his return from a vacation in Paris. He was murdered in Liège before he could make those revelations.

While the official line of the government is that the pedophile case and the Cools murder are only "very indirectly" linked, nonetheless, many of those arrested in both affairs were: 1) leading members of the Socialist Party in Belgium's Wallonia region, and 2) members of the Masonic lodge in Liège. The latter is affiliated with the Grand Orient Lodge of Belgium, and has among its membership 40% of the top leaders of the Wallonia branch of the Belgian Socialist Party, as well as leading members of the elite of Wallonia and French-speaking Brussels. The Belgian lodge is affiliated with the Grand Orient Lodge of France, which is in turn dominated by the French Socialist Party. The Belgian Socialist Party is so close to their French colleagues that, in recent days, leaders of the party, including Robert Colligan, the prime minister of the Wallonia region, and Claude Eerdekens, the parliamentary party leader, in response to criticism from some of the Flemish parties, threatened to secede and become a department of France.

Furthermore, NATO's political and military headquarters are located in Belgium, and a vast array of official, semi-official, and private intelligence "sub-organizations" played a crucial role in the arms shipments and other activities related to the Bush-North Iran-Contra operations, and to the eight-year-long Iran-Iraq War. In the context of these arms-trafficking operations, which drew upon NATO arms depots, a number of leading politicians and military figures in Europe were killed, including Swedish Prime Minister Olof Palme and former Schleswig-Holstein Gov. Uwe Barschel. Reportedly, Banque Bruxelles Lambert, Belgium's second largest bank, played a role in financing the Iran-

Contra-linked arms deals, such as one called "Operation Demavand"

The 'Mendez case'

Liège, where Cools was political boss, is one of Europe's arms-producing centers. Fabrique Nationale (FN) is located there. The nearby Bierset airport, of which Cools was a member of the board, was repeatedly mentioned as a transshipment point for arms to the Middle East and other international destinations. According to Belgian press reports, an earlier attempt to investigate the Detroux pedophile ring had been blocked by corrupt judicial authorities, who feared it might lead to the so-called "Mendez case." Mendez, a director of FN, was killed in 1986, in the same year as a spate of Iran-Contra-related murders. It is believed that Mendez specialized in producing false "end-user certificates," that would give phony destinations for weapons actually bound for Iran and Iraq.

Mendez, in turn, was linked to the so-called "Brabant gang," which, in 1986, was responsible for several brutal attacks on supermarkets which left tens of innocent bystanders dead. Although the murders are still officially unsolved, in 1990 it was alleged that the gang was part of the infamous NATO-linked "Gladio" operation. In a recent interview shown on Belgian television, the alleged leader of the gang, who is now living in South Africa, claimed that these killings were intentional, that among the victims were individuals who "knew too much." They allegedly knew of a Mossad-linked arms deal involving an Arab country; the operation was based in Belgium and financed by drug money from the Netherlands.

Confirming Belgium's role as a key player in the international arms trade, one expert told *EIR*: "Lots of arms activities are funneled through Belgium; it is very convenient to do so, especially if you're dealing with prescribed lists of high-technology goods. It's no accident that Gerald Bull [a British arms manufacturer who was later assassinated] and his group were organizing all their activities, in the 1980s, through Belgium."

Our source went on: "The country has a very corrupt bureaucracy, which always facilitated illegal arms shipments. International arms dealers always found Belgium to be the best place to operate." He pointed out that both French firms and British Aerospace used Belgium. "The throughput of arms activity magnified enormously in recent years," he continued, "including from eastern European and Russian sources of arms. Many arms dealers have worked out of Brussels. It's all quite carefully worked out. It's the European center for doing this, with good access to most markets, and good access to the port of Rotterdam."

He added one further element, although he claimed not to know of any concrete leads to George Bush or his family: "Look into Texas arms dealers. A lot of private

arms dealers from Texas have used Belgian end-user certificates, and have had offices in Belgium, since it is much easier to do a lot of this from Belgium than from the United States.”

‘Cools knew too much’

Concerning Cools, a former executive of a leading British arms company with subsidiaries in Belgium, the expert was more specific. “You have to understand that André Cools knew Gerald Bull, who was assassinated outside his Brussels home in 1990. [That case] has never been solved,” he said. Bull was the director of Space Research Corp. (SRC) in Belgium, and his assassination was attributed to the Israeli Mossad. Bull was the builder of the so-called supergun for Saddam Hussein. But this same source said, “Don’t believe the story that the Israelis killed him. That supergun project was really only a red herring. Bull was involved with much more important and financially lucrative projects. He was killed because he knew too much.”

Bull’s SRC was involved in a range of projects, including sales of artillery pieces, munitions, and even the construction of entire weapons and munitions plants for the Iraqi arms industry. These projects not only gave him access to relevant information, but in many cases involved leading British, American, and Belgian firms. His assassination occurred at the time President George Bush was building his Gulf War coalition against Saddam Hussein. That coalition was built over a significant number of dead bodies of those who knew the real secrets of who was arming Iraq—i.e., that it was George Bush and Margaret Thatcher’s own governments.

In addition, Société Générale de Belgique, the largest semi-official Belgian holding company with interests in various Belgian munitions plants, was part of the vast number of arms and munitions companies dominated by British and American companies linked directly to policy circles of the administrations of Bush and Thatcher. PRB, the Société Générale’s munitions producer, was part of the international munitions cartel exposed in the late 1980s for selling billions of dollars’ worth of munitions, also from NATO stocks, to Iran and Iraq. Many of these shipments took place with the cooperation of the notorious East German trading company, IMES, headed by Stasi agent Alexander Schalck-Golodkowski. The latter’s commitment to communism and the Warsaw Pact, did not prevent Oliver North from buying AK-47 assault rifles from IMES for the Contras.

The integration of the Belgian side of this operation with Great Britain was underlined by one British arms manufacturer. “When I was in the Brussels office of Société Générale, I felt I was in the British Colonial office,” he said. “I guess it goes back to Cecil Rhodes, when the Belgians, with their colonies in Africa, cooperated so well with the British.” This source pointed to Hervé de Carmoy, a French Trilateral Commission member, who, in the 1980s, was the international director of the British Midland Bank. Operating through Mid-

land International Trade Services, de Carmoy, with the backing of Kissinger Associates, was engaged in financing massive arms shipments to Iraq. In 1988, six months before the end of the Iran-Iraq War, de Carmoy became co-chairman of Société Générale, representing the largest French shareholding of the time. In this capacity he traveled several times to Baghdad on business related to the substantial amount of dealings Société Générale had with Iraq, including large munitions sales by PRB. De Carmoy later sold PRB to the British firm Astra Holdings, whose board included directors close to the Thatcher wing of the Conservative Party.

Another major arms-trading firm was the tobacco company, Casalee. Owned by John Bredenkamp, a British citizen who learned the art of sanctions-busting when he began smuggling weapons in the 1960s for Ian Smith’s Rhodesia. While based in Antwerp, Casalee was a major supplier of munitions to both Iran and Iraq throughout the 1980s. By the end of the 1980s, Casalee moved his base to Britain, where Bredenkamp is said to be within Margaret Thatcher’s close circle of friends. Today, Casalee has been taken over by American International Tobacco Co., whose board of directors includes Lawrence Eagleburger, former secretary of state in the Bush administration, who has returned to his roost at Kissinger Associates.

More mysterious deaths

Cools’s murder was not the last of the mysterious threats and deaths. In February 1995, a small Brussels shopkeeper received over his fax machine a document that appeared to deal with “negotiations to rebuild the Iraqi armaments industry,” according to Italian press reports at the time. The bewildered shopkeeper turned the fax over to the authorities. It was later discovered to have been mistakenly sent from the offices of one Alfons Puelinck, who was put under arrest. It was also revealed that Puelinck was involved in the Augusta kickback scheme, but his accomplice was a Syrian arms dealer, Mohammed Bashi, with whom he was partners in the company Kasma, and whose Swiss bank accounts were said to have been used to transfer the kickbacks.

That same year, Belgian Gen. Jacques Lefebvre died, officially declared a suicide. In 1993, in Italy, Sergio Castellari, was found dead. Castellari had been a director of Italy’s Public Industry Ministry. Although also officially declared a suicide, that decision was reversed one year later, when his death was discovered to have been linked to the Augusta affair.

Despite attempts to separate the Cools and the Augusta corruption cases from the pedophile case, one British arms dealer told *EIR*, “I don’t think this pedophile affair is going to be confined to Belgium. Remember, there are at least two leading British politicians who had been involved in arms deals and are pedophiles.” Although names were not mentioned, he said that at least one of them was currently holding a very high position in the European Commission in Brussels.

Who will 'exorcise' French fascism?

While Le Pen's racism is no surprise to anyone, the new outbreak of xenophobia is not confined to his party.

The government's attack against illegal immigrant workers who were on a hunger strike at the St. Bernard Church in Paris on Aug. 23, has led to a wild radicalization of Jean-Marie Le Pen's National Front, which is attempting to outdo the government. The attack on the immigrants was part of a scheme on the part of President Jacques Chirac's party, the RPR, to win over some of the fascist Le Pen's electoral base.

After having tried for many years to give himself a respectable "non-fascist" cover, Le Pen has suddenly dropped his mask and twice declared that he rejects the notion of equality of races. "In 1,500 years of history, France has shown how superior her civilization is," he raved at his movement's summer cadre school. "The theory of racial equality is absurd. I believe in racial inequality. All of history proves it: Other races do not have the same capacity for evolution."

While the National Front leader had organized a mass movement on the basis of xenophobic anti-immigrant propaganda, this is the first time that he has publicly embraced racialist theories.

The murder of a white French adolescent in Marseilles by a French youth of Moroccan origin, has given the National Front further impetus to intensify its racist rantings. On Sept. 14, when the youth was buried, the National Front organized a demonstration in Marseilles, to protest against "illegal immigration." "Whether we like it or not, the young murderer is not French, [but] Moroc-

can, like his father and mother," said Le Pen, in a blood-and-soil outburst.

Ironically, Le Pen pronounced those words not long before judges announced the closing down of the investigation into the murder of French Deputy Yann Piat. This murder has never been solved, but much evidence points to the fact that "personalities" of the majority political parties in the Parliament were involved. Not only do French mafias kill, but sometimes the murderers operate at the highest levels of the state.

Feeling that time is on his side, Le Pen called on his youth cadre to "prepare for the upcoming revolution." "Only the National Front can pull the country away from decadence," he said, warning of an upcoming crisis. "There is a moment when all this will collapse, and then, there will be a revolution. The extreme left is preparing itself with the means familiar to them. . . . So, I think that you should also prepare yourselves, because at some point, the corrupted structures of our system will collapse." Le Pen called for people to take their destiny into their own hands, against the "decadent and impotent state"

The worst, however, is the stupidity of elements of the Paris nomenclature, right and left, who would like to "exorcise" Le Pen by doing some of his dirty work themselves.

Prime Minister Alain Juppé recently announced that he is considering a reform of the electoral law. To counter expected breakthroughs by the National Front in the 1998 legisla-

tive elections, to the detriment of the other right-wing parties, Juppé's government is proposing to introduce a small dose of proportional voting, which would favor the election of a limited number of National Front candidates.

At it currently stands, deputies are elected in a two-round majority system: The first round eliminates all but two candidates, who then fight it out in the second round. There is only one exception to this rule: A third party which gets 10% of the vote, also participates in the second round. So long as there was no strong third party, generally only two candidates ran in the second round. But the expansion of Le Pen's party changes this.

To support Juppé's idea, the daily *Libération* gave publicity to a poll claiming that 63% of Frenchmen are shocked by Le Pen's recent statements; 51% agree with him on some issues, however, and believe that his party should have national representation. "This reform," wrote Serge July in an editorial on Sept. 16, "gives parliamentary representation to the voters of the National Front. It is necessary to go through this paradoxical situation, in order to exorcise the National Front."

In a similar vein, RPR Deputy Robert Pandraud declared that "it is preferable to have them [the National Front members] express themselves in the National Assembly, than in the streets."

While such short-sighted tactics might have "paid off" in periods of relative stability, today, as France hovers on the verge of a deep social, political, and economic crisis, this radicalization of the political debate could lead the country into a virtual civil war. In the meantime, it deflects all meaningful discussion about the real economic and social problems of the country, and what might be done to solve them.

International Intelligence

Desultory terrorists meet in London's Hyde Park

A few score "Islamic revivalists" gathered in London's Hyde Park on Sept. 8, after an international outcry forced the British government to have the so-called "Islamic Rally for Revival" terrorist conference cancelled. The original event was expected to draw 12,000 (see *Entente Bestiale* in *EIR*, Sept. 6, 13, and 20).

The Syrian-born Omar Bakri Mohamad sulked that the British government had "made a mistake" in pressing for the event to be shut down, since, "if the Muslims [sic] start to go underground, that will be worse." Saudi revolutionist Mohammed al-Masari warned that "rallies for revival" would go ahead in Birmingham, Bradford, and Manchester, and that another big event would be scheduled for next year, in London. "God knows," he said, "next time, it may be in Downing Street." A leaflet distributed by Mohammad's organization Al-Muhajiroon proclaimed, "the victory of the faithful over the Jew is imminent."

The London *Guardian's* Ian Black, who covered the rally, added his denunciations of the British Foreign Office and the Arab nations, all victims of the terrorists, whose protests succeeded in getting the conference cancelled. He called the governments of Egypt, Algeria, and Tunis "short-sighted," in thinking that "state violence is the solution to radical fundamentalism."

Bush buddy CAP to run for Venezuelan Senate

Former Venezuelan President Carlos Andrés Pérez, who was forced from office in August 1993, convicted on charges of corruption, and expelled from the Democratic Action (AD) party, has decided to run for Senate in 1998. CAP, who inaugurated his Presidency in 1989 by announcing that he intended to turn Venezuela into the spearhead of George Bush's "new world order," may not have chosen the most auspicious moment to relaunch his political career. His friend George Bush is himself now under a

cloud after being exposed as the kingpin in the Contra drug-running. But, reality has never deterred the power-mad Pérez, who intends to play a role in overthrowing President Rafael Caldera.

On Sept. 18, after serving his sentence under house arrest since May 1994, Pérez regained his freedom. The sentence, which was a slap on the wrist compared to the crimes he committed, allowed him to remain politically active, holding meetings, granting interviews, and surfing the Internet.

Of late, articles about him have begun appearing, many political commentators seek his opinion, and he is reportedly being visited by many small-town delegations asking for advice. He is already planning campaign trips. CAP has said that he intends to take back the leadership of AD, or failing in that, will start up his own new political movement.

Britain, Poland, Ukraine reach 'defense agreement'

What is billed as "a trilateral defense arrangement" has been reached among Britain, Poland, and Ukraine, according to the Sept. 10 London *Independent*. "The arrangement bridges the gap between Poland—a leading candidate for NATO membership—and Ukraine, which until recently has opposed expansion of NATO, and is unlikely to join. It also gives Britain a foothold in eastern Europe."

The agreement involves use of each other's training facilities and joint parachute exercises. Ukraine will grant Britain use of its ranges for live ammunition training exercises, including, possibly, "the British use of air-to-ground ranges in Ukraine." The *Independent* reported on ongoing large-scale Polish-British armored exercises, with 3,500 British troops in Poland carrying out the "largest armored exercises since the Gulf war."

On Sept. 7, Belarus President Aleksandr Lukashenko held secret talks on military cooperation in Moscow with Russian Security Council chief Gen. Aleksandr Lebed and Defense Minister Gen. Igor Rodionov. They announced that more work is needed on pull-

ing out the Russian nuclear missile forces still based in Belarus, which reveals Moscow's decision to indefinitely keep a limited nuclear presence there, clearly an "on-the-ground" response to the "Entente Cordiale" plans for NATO expansion.

Philippines' Ramos to disarm Christian militias

In a handwritten note to military and police, President Fidel Ramos has ordered "more forceful measures" be taken to disarm Christian militias, which have vowed to fight the peace accord reached between the government and the Muslim Moro National Liberation Front earlier in September on the southern island of Mindanao. The note called on authorities to "remove the threat, preserve peace and order."

Over the Sept. 7-8 weekend, 35 members of the self-proclaimed Mindanao Christian Unified Command staged a clandestine press interview outside Zamboanga City, displaying their weapons, which ranged from assault rifles to machine guns and grenade launchers. The militants also sported uniforms bearing an inverted Filipino flag, which is understood as a declaration of war. Local officials credit the group with 3,000 armed members, while some of the "commanders" claim up to 10,000 members, including former soldiers and ex-policemen.

The peace accord with the MNLF calls for creation of an administrative council, led by Muslim leader Nur Misuari, as the first step to creating a Muslim autonomous region, encompassing 14 provinces and 10 major cities. Eight of the provinces have Christian majorities.

UN, human rights NGOs go after Peru's military

The United Nations sent a "Special Rapporteur" to Peru to investigate the "independence of the judiciary," and human rights violations, at the same time that human rights non-governmental organizations (NGOs) are intensifying their campaign against the Armed Forces. According to the

Peruvian dailies *Gestión* and *La República* on Sept. 7, Dato Param Cumaraswamy will spend eight days looking into the cases of "innocent" terrorists who were allegedly tried without due process.

The Fujimori government has already released 210 "innocents," as a dangerous concession to groups such as George Soros's Human Rights Watch/Americas and the Washington Office on Latin America, and has stated that as many as 400 people may be wrongly jailed. But the NGOs claim that at least 1,000 people were falsely accused and convicted by "faceless judges"—a mechanism created by the government during its war against Shining Path, to protect judges who convict terrorists from retaliation.

HRW/Americas and WOLA have stepped up their attacks on the Peruvian military, charging that Army commander General Hermoza is protecting a Presidential adviser and National Intelligence Service (SIN) official, Vladimiro Montesinos, whom they allege is a CIA asset. The attack on Montesinos has become their vehicle for taking down the Amnesty Law passed by the Fujimori government, which prevents prosecution of military personnel for alleged human rights violations, and for reviving high-profile cases of alleged military violations of human rights.

Burundi archbishop, nun murdered in ambush

Archbishop Joachim Ruhuna, was killed on Sept. 9, when he was ambushed in his car in central Burundi. Also murdered with him was a Burundian nun from Mother Teresa's Missionaries of Charity. Archbishop Ruhuna had been booed at a funeral for Tutsi massacre victims on July 23, when he said there were extremists among both the Tutsi minority and the Hutu majority: "There are no names for this. I have seen it many times, but I condemn violence on both sides," he said at the chaotic mass funeral for 304 Tutsi victims of a massacre at Bugendana, in the Gitega region.

The Tutsi military is claiming that Hutu rebels dragged Ruhuna, a Tutsi, from his car

and apparently murdered him. However, the National Council for the Defense of Democracy (CNDD), political wing of the largest Hutu rebel group, has denied any role in the killings. CNDD's East Africa representative said: "The Army killed him because he was very moderate. . . . The army killed all 25 priests, monks, and nuns who were killed in the past three years in Burundi before him." The 62-year-old archbishop had refused to travel with bodyguards. Ruhuna had received death threats after publicly striking out against both Hutu and Tutsi extremists in the country.

Kissinger, Thatcher, Lee stump Asia Pacific region

Henry Kissinger, speaking at the 21st Century Forum in Beijing on Sept. 12, told Chinese leaders that they are facing a threat from countries such as India and Japan. Kissinger singled out Japanese nationalism as a major challenge to Chinese security and asked the Chinese to go along with his balance of power plan, which would require the United States continue its strategic involvement in Asia.

Kissinger continued that, whereas European countries now commonly have strategic cooperation, Asian countries are suspicious of each other, and their leaderships unpredictable. To maintain a stable Asia, China should welcome what the self-avowed British agent calls "American" involvement. Some Chinese political scientists have bought Kissinger's line and concluded that the 21st century will see a three-way balance of the East Pacific powers among Japan, China, and the United States. Paraphrasing Kissinger, the *Singtao Daily* wrote that Japan's transition to a more independent political and military policy would inhibit a Tokyo-Washington axis against Beijing.

Earlier, Margaret Thatcher had warned Indian leaders that Asia needs the United States, because it is the only power that can tame the Chinese dragon. Later, another British strategist, Singapore's Lee Kuan Yew, said that Russia is going to be the real danger to China for a long time to come.

Briefly

HEZBOLLAH, the pro-Iranian "Party of God," won four seats in Lebanon's general election on Sept. 8. Hezbollah candidates won in south Lebanon under a Syrian-sponsored alliance with the secular Shi'ite movement Amal, which also won five seats in the 128-member house, according to partial results issued on Sept. 9.

'A FRANTIC QUEEN Elizabeth" held an emergency family summit at Balmoral Castle on Sept. 16. The so-called Way Ahead Group will discuss "ending the monarch's role as head of the Church of England and allowing heirs to the throne to marry Catholics," according to Rupert Murdoch's Sept. 11 *New York Post*. Allowing succession to the throne through the female line will also be on the agenda.

THE GREEN PRINCE, Charles, of course, prepared a lecture for the 50th anniversary of the Soil Association, which promotes organic farming, where he was to "raise public awareness about the potential dangers to agriculture of genetic engineering, whereby crops and livestock are manipulated to raise production," according to the Sept. 10 *London Times*. He has, in the past, termed efforts to increase food production a "crime against the environment."

DANIELLE MITTERRAND appeared on a French cable broadcast promoting the Mexican Zapatista terrorists on Sept. 10. The broadcast also included interviews with three "impoverished Arab youths," who were nonetheless able to secure costly air tickets to Mexico to meet with the Zapatistas. Mrs. Mitterrand has carved a niche for herself as the spokesman for "indigenous chic."

INDONESIA'S Coordinating Minister for Political Affairs and Security Susilo Sudarman, said Aug. 29, that the government has frozen licensing to discotheques following drug seizures, including of the dangerous stimulant "Ecstasy," at such locations in several major cities. Sudarman told the press, "The trafficking in Ecstasy pills has reached a critical level."

UN-backed narco-terrorist 'Tet offensive' hits Colombia

by Valerie Rush

A narco-terrorist "Tet offensive" is currently under way in Colombia, with the goal of converting that nation into a legalized narcotics plantation under the "protection" of the one-worldist United Nations. Unless the Colombian Armed Forces are given the full political, legal, and budgetary support necessary to wage total war against the narco-terrorists, Colombia will fall to an enemy whose tactics rival those of the butcher of Cambodia, Pol Pot.

Central to this scenario is the narco-terrorist Revolutionary Armed Forces of Colombia (FARC), otherwise known as "the FARC Cartel" for its confirmed involvement in that country's cocaine and heroin trade. The FARC is a member, along with narco-terrorist "brethren" in Mexico, Peru, Brazil, Guatemala, El Salvador, and elsewhere, of Fidel Castro's São Paulo Forum, which held its annual coordinating meeting in late July in San Salvador, El Salvador. The Forum meeting, followed immediately by an international gathering of terrorist sympathizers in Chiapas, Mexico, set the stage for the full-scale insurgency now wracking Colombia.

The deployment of tens of thousands of coca-growing peasants in the FARC-controlled south of Colombia, allegedly to protest government drug eradication programs, was first launched in July of this year, with armed rampages against airports, oil facilities, and local government offices, that rapidly escalated to occupations of entire towns, highway blockades, and confrontations with military forces. Those orchestrated "protests," which have now spread from the south of the country to other regions as well, are providing the cover for a full-scale military offensive by the FARC narco-terrorists themselves.

In just a few weeks, scores of clashes between the heavily armed narco-terrorists and Army and police detachments have taken place in 16 of the country's 32 departments, claim-

ing the lives of more than 100 soldiers and police, as well as civilians. The most dramatic was an attack by 500 FARC commandos on the Army post at Las Delicias, Putumayo, on Aug. 30. The post was overrun and razed to the ground, dozens of troops killed, and 67 soldiers seized as "prisoners of war." It was later revealed that the FARC had planted mines around the post, to prevent escape by the trapped soldiers. The brutality of the assault is epitomized by the story of one Army sergeant taken prisoner, who was strung up by his testicles, and burned alive in front of his men.

These gruesome tactics, modeled on those of the infamous Shining Path narco-terrorists of Peru, are designed to trigger hysteria among military recruits. At another FARC attack on an Army post the next week, soldiers fled into the jungle to avoid capture at all cost. One of them later told the press that several of his fellows had committed suicide rather than be taken alive by the FARC. He also had tried to kill himself, but his gun had misfired.

"We are at war, no one can be mistaken about that," says Army Commander Gen. Harold Bedoya, who has insisted on defining the enemy as *narco-terrorist*, despite the international pretense at distinguishing between the "criminal" drug cartels and "guerrilla movements," which supposedly represent social forces with whom one can negotiate.

The green light

With its 10-15,000 terrorists under arms and an estimated yearly income from drugs, kidnappings, and extortion of somewhere between \$500 million and \$1 billion, the FARC were only waiting until conditions were ripe for its "Tet offensive"—i.e., a *military* offensive designed to produce a *political* capitulation by the enemy's forces. That point was reached, in the estimation of the FARC and its international

sponsors, in mid-1996:

- Domestically, the government of Ernesto Samper Pizano is owned by the Cali drug cartel, with whom the FARC maintains a symbiotic relationship. The Samper crew is intent on crippling the Colombian military, lest it decide to put an end to Samper's corrupt narco-regime.

- Internationally, the FARC viewed the Clinton administration as too involved in election-year politics to dare respond meaningfully. The State Department and the Pentagon remained mired in the Bush-era lie that narco-terrorism—that is, the alliance of the drug cartels with terrorist subversion—does not exist.

- Most significantly, U.S. Ambassador to Colombia Myles Frechette had repeated that idiotic myth before a seminar at Colombia's National War College last March, which the FARC took to be a "green light," even concluding that the United States was prepared to mediate peace talks between the FARC "guerrillas" and the Samper government.

- The July meeting of the São Paulo Forum in San Salvador and the subsequent Chiapas gathering provided the necessary international cover, and coordination.

The FARC's first major moves were on the international propaganda front. Its representatives began freely touring the continent, showing up in Brazil, Venezuela, Mexico, and elsewhere to give press conferences proclaiming their antipathy to "neo-liberalism," and declaring war on the "narco-corrupt" Samper regime. An open appeal was made to Venezuelan collaborators—including, reportedly, the armed networks of former Army Col. Hugo Chávez—to join the "front-lines of the battle, in solidarity with Colombia's rebel forces."

On Aug. 15, a letter written by FARC chieftain Manuel Marulanda Vélez (a.k.a. "Tirofijo") was released to the public, which urged international mediation of "peace talks" with that same Samper government. His demands? Demilitarization of the country and power-sharing with the FARC. The letter was addressed to former Colombian Foreign Minister Augusto Ramírez Ocampo, who had been head of the UN's mission to El Salvador and advocates a similar mission for Colombia (see interview). Ramírez Ocampo has now been named to head a committee to negotiate the release of the soldiers taken at Las Delicias.

Aiding the committee are representatives of the International Red Cross, which has served the FARC as collectors of its kidnap ransoms abroad. The FARC is presently demanding that the mediating committee be of international scope, including such pro-terrorist luminaries as Nobel Prize laureates Rigoberta Menchú and Oscar Arias, as well as representatives of the Salvadoran FMLN and Guatemalan URNG, both members of the São Paulo Forum. This committee would serve as a foot-in-the-door to a UN mission which the terrorists' networks have been urging all along. It is no coincidence that the first international office of the UN High Commission on Human Rights is about to open in Colombia.

Yes, narco-terrorism does exist

The FARC and its sponsors were not counting on a change in attitude inside Washington, however. On Sept. 6, State Department spokesman Glyn Davies responded to a request by *EIR* Washington correspondent William Jones for an official U.S. position on whether Colombia's guerrillas were involved in the drug trade. Said Davies, "The U.S. government does understand that some of these FARC guerrillas are involved with narcotics trafficking. Of course, the involvement of the guerrillas in drug cultivation and trafficking varies by region. It depends on the particular guerrilla front that you're talking about. But there's no doubt that guerrilla fronts are directly engaged in this coca cultivation and processing, and in protecting the fields, the laboratories, and the markets."

And then, in hearings Sept. 11 on Capitol Hill over U.S. counter-narcotics aid to Colombia, the FARC was referred to for the first time as "The Third Cartel," prompting coverage in Colombia's major media. In answer to warnings by some congressmen that providing Blackhawk transport helicopters—the subject of the hearings—to the Colombian Army could be interpreted as support for "abusive counterinsurgency methods," State Department spokesman Peter Romero answered definitely: "The [Colombian] Army would not be obliged to use the helicopters solely and exclusively for the eradication of [drug] crops."

The FARC and its apologists still hope to use the human rights bogeyman to try to shackle the military. For example, in the name of protecting human rights, a local judge in the FARC-dominated department of Caquetá ordered the arrests of Army Commander Gen. Harold Bedoya, and of XII Brigade Commander Gen. Néstor Ramírez, for refusing to heed his order to withdraw military barricades that were keeping 20,000 coca-farmers from storming Florencia, Caquetá's capital. The judge claimed that the coca-farmers' "citizens' rights" to free transit, food, and health facilities were being violated.

However, the FARC-inspired arrest warrants served the unintended purpose of waking the ruling elites of the country to the fact that the Army is the only thing standing between them and a Pol Pot-style holocaust. Wrote leading *El Tiempo* journalist Enrique Santos Calderón: "The state cannot commit hara-kiri by jailing Generals Bedoya and Ramírez." The Army appealed, and the judge's arrest orders were overturned by the Colombian Supreme Court.

The Army has also counterattacked on the propaganda front, with the release of *The FARC Cartel*, in both English and Spanish (see review). Written by an aide to General Bedoya, the book documents the FARC's metamorphosis into the country's leading drug-trafficking cartel. As General Bedoya declared at the Aug. 21 press conference releasing the book, the FARC "is the worst threat to our democracy and our institutions. We want our friends to recognize and understand this, and collaborate in this vast fight in which we are engaged."

Did the 'Bush Manual' policy set up Gómez Hurtado for murder?

On Aug. 12, U.S. Ambassador to Colombia Myles Frechette told a television news interviewer that he had been approached exactly one year earlier by a group of Colombian civilians, who wanted to solicit Clinton administration support for a possible civilian-military coup d'état to remove narco-President Ernesto Samper Pizano from office. Ambassador Frechette refused to name names, except to say that they were representing certain "concerns" of the military. He said he had told his visitors, "Forget it!"

Although the Samper government waxed indignant, claiming they had never been officially advised by the U.S. embassy of this meeting, the State Department insisted that it did inform President Samper, and relevant members of his cabinet, of the coup plot at that time.

Colombia's *Semana* magazine of Aug. 20, 1996, had another version of what is evidently the same story. They reported that various prominent anti-Samper individuals, both



Alvaro Gómez Hurtado in Bogotá, Colombia in June 1985. His assassination dampened serious challenges to the narco-dictatorship of Ernesto Samper Pizano. Did U.S. policy blunders play a role in his murder?

civilian and military, had in fact been meeting at the time to discuss a civil-military insurrection against the President. In late August 1995, according to *Semana*, the groups met with Alvaro Gómez Hurtado, former senator and Conservative Party Presidential candidate who was Colombia's most outspoken political figure leading the opposition to the Samper regime. *Semana* says that Gómez had agreed to head up the insurrection, which was set for Nov. 11, 1995, at 2 a.m.

The consolidation of a narco-regime

On the morning of Nov. 2, however, Gómez Hurtado was assassinated in broad daylight, in the fashion employed by drug cartel hit men. The country's political opposition has been headless ever since. One of the alleged coup conspirators, historian and publisher Hugo Mantilla Correa, told the press afterwards that "the death of Alvaro Gómez has facilitated the consolidation of the ignominious regime Colombia endures today."

Although *EIR* has no independent confirmation of *Semana's* claim that Gómez Hurtado was part of the coup plot denounced by Frechette, it is a matter of public record that, in the months before his murder, he had become the most prominent national figure to demand that "the corrupt system be overthrown." For example, on Oct. 23, 1995, just a week before his death, Gómez wrote in his daily *El Nuevo Siglo*:

"It is clear that the President cannot remain. A country which doesn't advance, which daily shows more symptoms of dissolution, will eventually find a solution. We have said it many times: The regime must be overturned."

At the time of his death, Gómez Hurtado was looked to by Colombian patriots as the one man with the political will and stature to stand up to Samper's thuggery. Political elites in Colombia privately confided in the aftermath of the Gómez assassination that none now dared challenge the Samper government. The cartel's message had been delivered, loud and clear. Samper declared a state of emergency following Gómez's murder, which enabled him to consolidate his narco-dictatorship even further. Public pressure for his resignation dramatically declined.

At the time of Gómez's assassination, *EIR* laid the blame at the doorstep of the Samper regime. In light of Ambassador Frechette's admission that he had alerted the cartel-run government of Colombia to the coup threat, it is appropriate to now ask as well: What responsibility do the U.S. State and Defense departments have in the elimination of Samper's leading political opponent?

The Bush 'Plot' against the military

Ambassador Frechette has on numerous occasions elaborated that the State Department is unalterably opposed to any tampering with what they choose to describe as "democracy" in Colombia, i.e., the hypocritical sham of narco-terrorist President Ernesto Samper Pizano, "elected" to office with the

help of \$6 million from the drug cartels. The State Department, and the Defense Department under Secretary William Perry, have more broadly demanded that the military in Colombia—and across Ibero-America—be downsized and dismantled, reducing their participation in national political life to insignificance, all in the name of promoting “democracy.” The Defense Department’s September 1995 document, *United States Security Strategy for the Americas*, reflects this foolish policy outlook most systematically. It argues that the threat of terrorism in the Americas is receding, and that the United States’ central policy objective in Ibero-America is to get the military to line up behind the mantra of “democracy and free trade.”

The origins of this insane policy go back to the early 1980s, and what *EIR* has documented as the “Bush Manual,” or the plot to annihilate the Ibero-American military as part of the global British war against the nation-state. That policy is unfortunately alive and well in the Pentagon and the State Department today. And it now appears that, with their stupidity, elements within the U.S. government have helped a narco-government kill a patriot.

Book Reviews

Proof positive that the FARC Cartel exists

The FARC Cartel

by Maj. Luis Alberto Villamarín Pulido
Ediciones El Faraón, Bogotá, 1996
210 pages, paperbound

The FARC cocaine cartel “survived all the cartel wars: cartel vs. cartel, cartel vs. state, and cartel vs. the world; today they are the most powerful of all the cartels,” states Gen. Harold Bedoya Pizarro, commander-in-chief of the Colombian Army, in his prologue to the newly released book, *The FARC Cartel*.

For most Colombians, this book compiles facts which are already known, that the FARC finances itself by drug trafficking. The various testimonies and documents published in the book are known in Colombia in one form or another,

either through the mass media, or via anecdotal accounts by persons who have lived in or visited the “guerrilla” zones. That General Bedoya officially presented this book at a press conference, and put his signature to the prologue, represents an attempt to put the brakes on any attempt by the narco-government of President Ernesto Samper Pizano to conduct a dialogue or negotiate with the FARC.

Perhaps the most important thing about this book is that it was published in English, as well as Spanish, in order to be distributed around the world—and especially in Washington. Its release in English launches an international battle to end support for the FARC in various countries, in particular in the United States, where the Armed Forces of Colombia have for too long been presented as violators of human rights, and the FARC as supposedly heroic defenders of the Colombian peasantry.

Guerrillas, cocaine, and heroin

During the 1980s, the very terms “narco-guerrilla” and “narco-terrorism” were ruled out of the official lexicon, on orders from former vice-president and later President George Bush. Today, the U.S. State Department has been forced to acknowledge that the FARC is indeed involved in drug trafficking. It will be difficult now for Washington to apply its considerable pressure to force a “peace” agreement on Colombia, like the one imposed on El Salvador under the tutelage of the United Nations. It will be difficult for the United States to back a “peace pact” with the FARC Cartel.

This book presents hard documentation proving that the Revolutionary Armed Forces of Colombia (FARC) is a cocaine cartel, with coca plantations and laboratories not only in Colombia, but also in Peru and Brazil. The FARC started out cooperating with, and getting paid for services by, the Cali and Medellín cartels; it subsequently launched into its own production, and even trafficking, of coca, cocaine, opium poppy, and heroin. Of the 62 “fronts” which the FARC has around the country, 38 are dedicated to the production and traffic of cocaine and opiates.

Part of the documentation presented was captured from the FARC’s 14th and 15th fronts, in the vicinity of a village called Paujil, in the coca-producing zone of the Caquetá department, during a military operation conducted by the VII Army Brigade. One of the documents presents instructions to the FARC’s communications officers on how to contact the Cali Cartel by radio or by beeper.

The documents reveal, for example, that the 15th front controls 16 cocaine laboratories in the area, with a production volume of 640 kilos of cocaine monthly. If we multiply this sum by the 38 fronts dedicated to drug trafficking, cocaine production by the FARC alone is 24,320 kilos of cocaine per month. Assuming that the FARC sells the bulk of the processed drug to the other cartels (i.e., that they do not have their own distribution networks), the kilos of cocaine would

be sold for \$100 apiece. That means that the income would be \$24.3 million for an annual FARC total revenue of \$291 million, from drugs *alone!*

This reckoning is extremely conservative, especially if one considers that for 1996 the FARC planned internally on a \$500 million budget in order to finance their terrorist operations, and if one considers that some sources have made it known that the FARC and ELN (National Liberation Army) contribute \$3.5 billion to Cuba every year.

Yet, the book is not based on projections nor on general calculations, but on captured documents, at the confiscated coca-producing plantations belonging to the FARC.

The book's conclusion is obvious: Negotiations with the FARC are impossible, unless it be for their surrender. The only choice facing the Colombian nation today is to defeat the FARC Cartel—politically, juridically, economically, and militarily—by attacking its finances, its international support networks, and its terrorist fronts, with the full weight of the state.

A young boy's life of horror in the FARC

En El Infierno, Una Guerrilla que Se Devora a Si Misma: Testimonio de un Ex-Integrante de las FARC

by Jhony

Ediciones de Hugo Mantilla, Santa Fe de Bogotá, Colombia, 1995

195 pages, paperbound

In reading this book (*In Hell, A Guerrilla Devours Himself: Testimony of a Former FARC Member*), one could conclude that more “guerrillas” died at the hands of their superiors in the narco-terrorist Revolutionary Armed Forces of Colombia (FARC), than in armed confrontations with the Colombian Army and National Police. The regime of terror inside the FARC is horrifying, a true inferno. One could also conclude that the majority of the assassinations of members of the Patriotic Union (political front created by the FARC and the Colombian Communist Party, or PCC) were in fact committed by FARC assassins, as a means of purging certain political factions considered undesirable by PCC and FARC commanders.

This story by a FARC ex-“guerrilla,” who identifies himself by the *nom de guerre* Jhony, is written, as he puts it, “to explain to Colombian youth what life as a guerrilla is really

like, and to invite them not to be fooled by illusions, and thus to avoid falling into the trap of entering the murky world of subversion.” Jhony says he also wants to expose the violations of human rights committed by the FARC, and to make it clear who the government is really dealing with, when it enters into “peace” negotiations with these narco-terrorists.

The story begins when the author is barely 12 years old, at the end of 1981. Out of a child's desire to avenge the death of his father, who died during the period of Liberal-Conservative warfare known as *La Violencia*, Jhony joins the FARC. He is disenchanted from the very first day, when the rules are explained to him and he is warned, as are all those who enter Dante's *Inferno*, that those who enter should entertain no hope of leaving. “One doesn't join for a specific period of time; this is for life—until they kill you or the socialist revolution triumphs,” Jhony is told in his first indoctrination session.

From the very beginning, he is forced to witness and participate in the murders of several FARC members. The first five are children like himself, who tried to flee after becoming disillusioned with their recruitment—through force or trickery—into the FARC. Prior to the murders, the commander of the FARC front to which Jhony had been recruited held a “war council,” a parody of a summary trial that lasted several hours. A vote was held to give the appearance of democracy, but voting against the commander's recommendation was equivalent to sentencing oneself to death.

Others were killed for “cowardice,” for refusing to participate in the killing of others, for being a spy or informant, for stealing a tin of sardines or loaf of bread from the guerrilla camp supplies, and so forth. Girls of 13-14 years of age were assassinated for refusing to have sexual relations with the commanders. Before their execution, the victims would be forced to remove their clothes, so as to avoid ruining uniforms that would be allotted to others.

In sum, the guerrilla “combatant” is considered disposable, and executed at the first hint of a fault, whether real or the product of someone's paranoid fantasy. Most of the executions are carried out by strangulation or stabbing, rather than by shooting, to avoid alerting military patrols or spies as to their whereabouts.

School for assassins

After one of these executions, the new recruits were ordered by the camp commander to “drink the blood [of the victims,] to show that we were learning to lose the fear of killing,” writes Jhony. “I think I felt that I had committed an act of witchcraft or black magic that I couldn't understand.” After having killed numerous peasants as “informers,” having participated in hundreds of “war councils” and scores of indoctrination sessions into the mysteries of Marxism-Leninism, having participated in many kidnappings, and getting to meet the top chieftains of the FARC—Jacobó Arenas, Manuel Marulanda Vélez (alias “Tirofijo,” the Sharpshooter), and Al-

fonso Cano, among others—Jhony is selected to participate in a school for assassins at the service of the FARC and the PCC.

Following that course in 1985, Jhony begins to carry out the task of “purging”: people inside the PCC who had “diverged” from the line; politicians who opposed the actions of the FARC and the PCC; or businessmen and ranchers who refused to pay their “taxes” to the FARC. In four months, Jhony murders 60 people, many of them PCC or Patriotic Union activists. Communist propaganda later blamed these assassinations on the Army or on groups allegedly supported by the Army. These actions were carried out in the departments of Tolima and Huila, and especially in the capital cities of Ibagué and Neiva. Intelligence, logistical support, and selection of victims was supplied by the PCC.

Jhony recalls various conversations he overheard, in which the fate of Bernardo Jaramillo Ossa was sealed. Jaramillo was assassinated while he was the Presidential candidate of the Patriotic Union in 1990. His crime was that he had become a supporter of Soviet *perestroika*.

In his last mission, Jhony and the other assassins now under his command mistake the rancher they are assigned to murder, with the head of the PCC in Neiva. They assassinate the “comrade.” Jhony faces a “war council,” and manages to save his skin by claiming that the error was not his, but that of “intelligence” which had given him wrong information. The vote that saved his life was 58-54.

Betrayal and counter-betrayal

Later, Jhony is accused by a rival of being an infiltrator for the Army, and again put on trial. This time, he saves himself by offering an elaborate confession, and handing over the names of his alleged collaborators—all veteran FARC “combatants.” When the smoke clears and the accusation is retracted, Jhony’s daring attracts the attention of the FARC “secretariat,” and he is brought onto the personal guard of the legendary FARC chief Jacobo Arenas.

In December 1990, Jhony defends the Green House (a mountainous region in La Uribe, Meta, which served as the general headquarters of the FARC for nearly 10 years), when the Army launches an offensive that dislodges the FARC secretariat. It is a few months later, that Jhony decides to finally escape from the FARC, and in his getaway, he kills four of his former comrades.

During his “life” in the FARC, Jhony had relations with several women guerrillas. Some of his lovers were forced to flee the FARC because they became pregnant and refused to undergo abortions as the camp commanders ordered. By the end of the 1980s, “Tirofijo” had decided that any woman guerrilla who became pregnant would be immediately shot.

After deserting the FARC, Jhony wrote this book at the age of 23. Today, he is in hiding—he knows neither how to pray to God for forgiveness, nor how to flee from the assassination contract the FARC has out for him.

Business under a narco-dictatorship

The following testimony was acquired in an interview with EIR.

I am a businessman. I am not going to tell you my name, nor the city where my business operates. I belong to the upper social class, where individuality does not exist and where one is a property of the family to which one is born. In sum, I have a company which was family property, but which is now the property of a guerrilla group. I myself was the property of my family, but I am now the property of the guerrilla, the same which some call narco-guerrilla. I don’t want to mention the name of the group.

I don’t want to tell you what my company produces, nor its size, nor how many workers, nor its capital, nor the volume of its sales. My company was an industrial company; today it is practically an importing company, and a laundry of money from the drug trade and other crimes.

The problem began some seven years ago. A neighboring company received a message from a guerrilla group. I don’t want to identify the name of the group. The message said that following an inventory of the property and an appraisal that the guerrillas had made, the owners of the plant were expected to pay the guerrilla group a “war tax” on a monthly basis; if not, the company would be considered “a military objective.”

The owners of the company refused to accept the blackmail, advised the police and the Army of the incident, and ignored the threatening letter. A new message arrived soon after, warning that because they had gone to the police and the Army, which was considered the equivalent of collaborating with the enemy, they would henceforth be treated as a military objective. One week later, a medium-sized bomb exploded in the plant. It happened at night and no one was hurt, but panic seized the workers of the plant. A week later, another bomb was set off. The owners decided to sell the plant in a hurry, cheaply, and without confirming the honesty of the new owners. The old owners moved to Bogotá. Rumor has it that they later left the country.

The owners of another neighboring plant also refused to pay the “vaccination,” as it is called. There, they used another tactic, kidnapping one of the manager’s children. The child was later released. It is said that a fortune was paid for the child’s ransom. Worst of all is that to pay the ransom, they had to indebt themselves totally with several banks.

Things were worse still for another neighbor. His family had made a pact whereby if any of the family were kidnapped, the others pledged not to pay any ransom so as to not “foment crime.” Five kidnappings and assassinations later, the survivors sold their company and left the area. Still another neighbor, unable to pay the ransom for his kidnapped son, decided to hand over the company and lend his name as a front for the guerrillas.

The vast majority of the businessmen in the area reached the conclusion that the “vaccination” had to be paid, so that

The vast majority of the businessmen in the area reached the conclusion that the “vaccination” had to be paid, so that the guerrilla “will let us work.” . . . After reviewing the different cases . . . my family decided that this was the best solution: to coexist with crime.

the guerrillas “will let us work.” My company fell into this category. After reviewing the different cases that we knew of, my family decided that this was the best solution: to coexist with crime. I have already said that I am not myself, but rather a property of my family.

After making contact, we began to give the monthly sum to the terrorists. Everything went well until three years ago, when the contacts decided to present me to the “commander of the financial front.” He proposed to buy my company for a respectable sum, that I could decide what to do with the money, or, if I wanted, they would send the money abroad for me, but I had to continue to appear as the owner and manager of the company. Later, he thanked me for having voluntarily approved the contribution of a “war tax,” and made it very clear that if I did not accept his offer, the only option was my death and that of my family. He said it should be seen as an expropriation with indemnification, within a minimal program toward the seizure of socialist power. He reminded me of what Lenin said: “The last capitalist will sell the rope to hang the next-to-the-last capitalist.” I later learned that this method of taking over companies was learned through their alliance with the drug cartels.

I presented the new situation to my family. They accepted it as the only option possible. We accepted. But my wife and children decided to abandon the country, and are living abroad on the interest from the money they paid us, and something more which I am allowed to send them. But, my mother, several brothers, and my uncles are still here, and upon them would fall the punishment of death should I leave

the country.

I also learned that before taking over a business sector, like the sector in which my company operates, [the guerrillas] carry out a detailed economic census, assessing the sales of the companies, the owners, the automobiles they use, the homes they live in, and any other properties they may have elsewhere.

And thus I was turned into a front man for the guerrillas. They forced me to hire secretaries and accountants from among their group, and to hire another 20 people who had no specific function in the company and who mainly used the company to conduct economic espionage against other companies. Sometimes they disappeared for a time, and only showed up to collect their salaries.

They began to use the accounts of the company, both in Colombia and abroad, to launder money. I don’t know if the money came from kidnappings, or the drug trade, or from other activities. I only know that they had nothing to do with the legitimate sales of the company. All telephone and personal contact that I made was strictly overseen, and the “financial front” demanded weekly accountings from me of the money I made. One time, a stock market investment I had made abroad did not come out the way I had hoped, and they were extremely angry.

When the [government’s] economic “opening” began to seriously affect the company’s operations, I proposed to them that we import the product, leaving minimal production in the plant, and that we fire the majority of the workers, dedicating the company primarily to merchandising the imported product through a distribution network that the factory had. They agreed, not without first justifying themselves by saying that the workers had to be defended, but that unemployment was the government’s problem, not theirs.

So this was done. I fired 80% of the workers. Of course, their own people could not be removed from the payroll. I explained the burden they represented for the profitability of the company, but they said that this didn’t matter, because what was most important was to use the company to handle other money. Strangely enough, although they used every ruse possible to pay the least possible, the company paid its taxes to the state according to the law.

Had there been any serious investigation, anomalies in the company’s accounting would have been detected a long time ago and I would be in jail. But if one combines the inability of the state to control crime and trace illicit funds, with the fact that I am above all suspicion, the narco-guerrilla had struck the perfect blow with me, silent and profitable.

Personally, I suffer from the absence of my immediate loved ones, an absence I try to fill up with weekend activities. I conserve the appearance of the same social status. I continue to draw the same salary as before, annually adjusted for inflation. Of course, I no longer receive profits. But the major difference is that, before, I was the property of my family. Now I belong to the narco-guerrilla.

With UN backing, Colombia's President Samper seeks a deal with the FARC

EIR's correspondent in Colombia, Javier Almario, interviewed Augusto Ramírez Ocampo, the former Minister of Foreign Relations of Colombia, at the end of August, which is excerpted below. Ramírez Ocampo has also served as mayor of Bogotá, a member of the 1991 Constituent Assembly, chief of mission for the Organization of American States to Haiti, and of the United Nations to El Salvador (Onusal), and is currently a member of the National Reconciliation Commission, convened by the Bishops Conference of Colombia.

Ramírez Ocampo participated in the Assembly for Peace in Colombia, inaugurated on Aug. 27 by Interior Minister Horacio Serpa Uribe, and sponsored by the Office of the High Commissioner for Peace of the Presidency, the state oil company, Ecopetrol, and the terrorist-dominated trade union of Ecopetrol workers, the Unión Sindical Obrera. Among those invited to send representatives to the Assembly were: Mexico's Zapatista National Liberation Army (EZLN), the Farabundo Martí National Liberation Front (FMLN) of El Salvador, and the National Revolutionary Union of Guatemala (URNG)—all members of the São Paulo Forum, the terrorist umbrella group headquartered in Cuba—and United Nations "conflict management" experts. Two Colombian terrorist groups, the National Liberation Army (ELN) and the Popular Army of Liberation (EPL), sent messages, which were distributed as press releases by the Office of the Presidency of Colombia.

In his intervention at the Assembly, Ramírez Ocampo proposed that the Colombian government commit itself to "a permanent peace policy," which would not be altered with any change in government; that peace negotiations be initiated immediately between the government and the three Colombian guerrilla groups, the Revolutionary Armed Forces of Colombia (FARC), the EPL, and the ELN, which, according to Ramírez Ocampo, should negotiate jointly; that both parties (government and guerrilla) be prohibited from unilaterally leaving the negotiating table; that the military participate in the negotiations; that a group of countries be formed as "friends" of the peace, to sponsor the negotiations; that negotiations proceed in the midst of the clamor of war; and that

"international oversight" be established to supervise the application of international humanitarian law in the Colombian conflict.

Ramírez Ocampo is one of the highest-level operatives of the United Nations in Colombia, and what he proposes for the country is basically the same strategy that he carried out as chief of the UN mission to El Salvador, which, with the support of the United States, imposed through supranational power an artificial "peace" upon El Salvador, which turned that nation into a type of UN colony or protectorate—and did not secure any long-term peace. The "peace accord" also served as the excuse to reduce El Salvador's Armed Forces, from 64,000 men to 24,000, and is being used to apply the policy of the United Nations and such powerbrokers as the Inter-American Dialogue, to eliminate the Ibero-American armed forces, so that these nations yield their sovereignty to a world government under the United Nations.

In the interview with *EIR*, Ramírez Ocampo acknowledged that the peace accords, should they come about, would mean the reduction in size of the Colombian Armed Forces. He specified three requisites for the accords to succeed. There must be: 1) an "independent" mediator (that is, Ramírez himself); 2) guarantees, backed by international "assistance," to secure meetings to initiate the negotiations; and 3) recognition that the negotiating parties are "suitable," that is, that the "guerrilla" leaders not be accused of being what they are: narco-terrorists, or narco-criminals.

EIR: You were in El Salvador as the head of Onusal?

Ramírez Ocampo: Yes, I was the head of Onusal in El Salvador, that is, the representative of the United Nations for peace in El Salvador.

EIR: But whom do you represent now? If you were head of Onusal, do you represent the UN, or whom do you really represent?

Ramírez Ocampo: I am a member of the National Reconciliation Commission, which was convened by the Colombian Bishops Conference as a commission independent of the parties, to, strictly speaking, make it possible for the parties to

sit at the negotiating table at a given moment. It is in this capacity that I have been working for peace in Colombia.

EIR: In the case of Colombia, what form would the UN intervention take? It has been proposed that the UN intervene in Urabá, and in some hypothetical peace process. Will such an intervention occur?

Ramírez Ocampo: No, I believe that until now, this has not been necessary. First of all, because of the excellent work which is being done by the President of Costa Rica, José María Figueres. His good offices have been very helpful to us, and I also believe that one could think of a group of friends, of friendly countries, which could help with whatever came up, as Colombia did both in the process in El Salvador, and in Guatemala.

EIR: [U.S. Ambassador to Colombia] Myles Frechette said on one occasion that the United States does not have evidence that the FARC and other guerrilla groups have ties with drug-trafficking. Is that a help to the negotiations with these guerrilla groups? Do you think the United States is going to back negotiations with these groups?

Ramírez Ocampo: It seems to me to be a good starting point.

EIR: The Inter-American Dialogue and other policymakers in the United States propose that the time has come to end, reduce, or eliminate the armed forces of Ibero-America, and some academics are already speaking of how the official policy of the United States is to finish off the armies so that there cannot be any defense of national sovereignty. Would not the United States be using these negotiations to reach that objective?

Ramírez Ocampo: I think that there is a confusion in that statement. One thing is the natural reduction of armies which results from the elimination of internal war, and another thing is what the size of the armed forces should be according to a balance of forces. In El Salvador, the Armed Forces went from 64,000 men to 24,000 men, after the peace process. . . . In the case of Nicaragua, the Army went from 150,000 men to 15,000 men, which brought its Armed Forces into a situation more in accord with the size of the country. In the case of Colombia, for example, while there exist border problems between Colombia and Nicaragua, and Colombia and Venezuela, one cannot reduce the Armed Forces. This is the other point in which, to the extent that the external conflicts are reduced, then the armies can also be reduced. . . .

The other problem is, that we must now change the military doctrine of national security which the United States introduced into the armed forces of Latin America—according to which there is a foreign enemy which is the Soviet empire, and that this empire wants to take over the country with domestic allies which must be fought—and change it for the concept of citizen security. I have spoken several times at

the Inter-American Defense Board on this subject of the new mission which the armed forces should have.

EIR: Do you know the book which Gen. Harold Bedoya sponsored about the FARC cartel?

Ramírez Ocampo: No, I don't know it yet.

EIR: The book is called *The FARC Cartel*, and identifies the FARC as a drug cartel, and puts the government in the bind that to initiate an accord with the FARC is equivalent to negotiating with drug traffickers.

Ramírez Ocampo: Well, this is one of the problems which Manuel Marulanda Vélez [head of the FARC] addresses in the letter which he sent me. That is, if one is going to negotiate with a person, one cannot say that that person is a gangster, a drug trafficker, an outlaw, or a bandit. If you are going to negotiate with the FARC and the ELN, then you have to begin by respecting your interlocutor. Here, there have been negotiations with many people. In the negotiations which were carried out with Pablo Escobar, the same thing had to be done. Remember that the negotiations with Escobar brought about the plea-bargaining law.

EIR: But surely this negotiation would mean some military changes, just as it was necessary to remove Gen. Armando Arias Cabrales from the Army in order to negotiate with the M-19, because he was the one who recaptured the Justice Palace [which had been seized by the M-19].

Ramírez Ocampo: What I have proposed is that the Armed Forces participate in the negotiations. . . . The military have to participate in the peace process because the peace process cannot be done behind the backs of the military. . . . Military matters will have to be taken up, and the military have to be there, because they are the ones who know about this subject. And the military should be represented by those who really represent the feelings and thinking of the Armed Forces.

EIR: This new peace accord implies a new Constituent Assembly, given that neither the ELN nor the FARC participated in 1991 [in drafting the current Constitution], and they now would want to write the Constitution.

Ramírez Ocampo: That proposal was made by [former President] Misael Pastrana and me in the Constituent Assembly in 1991. We proposed that two representatives of the FARC come, so that they could participate in the writing of the Constitution. But our proposal was blocked by the government.

EIR: In any case, whoever advised Manuel Marulanda Vélez to write a letter offering an agreement to a government weakened by the drug-trafficking scandal, was very intelligent.

Ramírez Ocampo: That is what we are here for, to take advantage of opportunities.

The United Nations' Salvadoran peace model

Oscar Alfredo Santamaría was El Salvador's foreign affairs minister in the government of President Alfredo Cristiani, and is currently a member of the UN observer mission for the Nicaraguan elections. On Aug. 28, Santamaría spoke at the Peace Assembly held in Bogotá, Colombia, which was jointly convened by the Office of the High Commission for Peace of the Colombian Presidency, the state oil company Ecopetrol, and the Ecopetrol trade union. While he was staying in Bogotá, he granted this interview to EIR's Colombian correspondent, Javier Almarío.

EIR: I once heard a Colombian ambassador to El Salvador say that the UN began as a peace mediator in El Salvador and ended up controlling everything, the whole nation.

Santamaría: This evaluation is not correct. What happened is that the UN started the peace mediation at the request of the Salvadoran government and the FMLN [Farabundo Martí National Liberation Front], and to the extent to which the accords were going forward, at the request of the parties, little by little it began to assume greater responsibility, responsibility which was fundamental in the verification of the human rights accords, the truce accords, the demobilization accords, and later the surrender of weapons by the FMLN, the reduction of the military estate. With all these responsibilities, the UN ended up having as many as 3,500 observers, who were part of the UN Organization for Peace in El Salvador (Onusal), and of course, the UN presence was massive, it was big. But to the degree that the accords were fulfilled, the UN personnel were cut back in the country, and now the UN mission in El Salvador is only five people. At no time was the UN presence an imposition from the outside. The peace accords in El Salvador were done Salvadoran-style. There was never any formula dictated by the United Nations.

EIR: Before the peace process, there was major interference by the United States in El Salvador. Did the UN come to fulfill the role of interference which the United States had had before?

Santamaría: Well, the truth is that the United States had appeared publicly as promoters of a peace accord or a peace process, but they would not have had any credibility, because public opinion in El Salvador viewed the United States as supporting the Salvadoran military. If the United States had

been the mediator, the mediation would not have succeeded. But the UN, on the other hand, as a multilateral, impartial organization made up of all the nations in the world, could be the mediator of this conflict. After the UN mediation, the United States took part in the final part of the process, when it joined the group of friends, but this was already at a very different level.

EIR: It would seem that the great objective achieved in the El Salvador process was that of having, excuse the expression, tamed the military—

Santamaría: In the military area, the accords established a reduction of the Armed Forces from 60,000 to 17,000 on active duty, a purge of the Armed Forces to get rid of the military forces suspected of having violated human rights. The accords achieved the handing over of effective control of power from the military to civilians, a professionalization of the Armed Forces. Now the military school is directed by six persons, of whom three are military men and three are civilians, and of the civilians one of them is from the FMLN. . . .

Interview: Roberto Alvarado

We studied Colombia's 1991 Constitution

Roberto Alvarado is a member of the negotiating commission of the Mexican government with the Zapatista National Liberation Army (EZLN). Alvarado participated in the Peace Assembly initiated in Bogotá, Colombia on Aug. 27. Below is part of the interview he gave to EIR correspondent Javier Almarío.

EIR: How indigenous is the EZLN?

Alvarado: It's quite indigenous. Not at the level of its leadership, but at the level of the base. . . . Now, for example, at the negotiation table we only have native interlocutors. The only accord which has been achieved with them is on rights and indigenous culture. And, even to reach an accord, we found the study of the Colombian Constitution of 1991 very helpful.

EIR: But there are foreign hands in all of this.

Alvarado: Yes, sure; especially, the Europeans are very involved with all their non-governmental organizations (NGOs), their human rights organizations, their humanitarian aid organizations, their charity organizations.

EIR report exposes Bush as 'crack' kingpin of the '80s

by Jeffrey Steinberg

At a crowded Washington, D.C. press conference on Sept. 19, 1996, *EIR* Washington bureau chief Bill Jones, Law Editor Edward Spannaus, Counterintelligence Editor Jeffrey Steinberg, and *EIR* analyst Gail Billington, released a 120-page special multi-client report, "Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?" which documents the role of the former Vice President and President, in overseeing the biggest cocaine-smuggling operations of the 1980s. The report was prepared as a crash effort, by a team of *EIR* researchers, in order to amplify upon, and correct some dangerous flaws, in the otherwise valuable *San Jose Mercury News* exposé, by Gary Webb, of the role of the Reagan-Bush administration-backed Nicaraguan Contras in flooding the streets of Los Angeles with crack cocaine during 1983-87. The Webb series appeared over Aug. 18-20, 1996, and has triggered calls for Congressional investigations, and other probes, into the role of the Central Intelligence Agency in the Contras' crack trafficking.

At the press conference, Steinberg began with a warning, that anyone who focuses solely on the CIA involvement in the Contra cocaine-smuggling operation of the 1980s, is walking into a trap that will likely lead to a cover-up of the truth. Already, CIA director John Deutch has written to Congresswoman Maxine Waters (D-Calif.), explaining that a thorough search of CIA files occurred in 1988, and no evidence linking the Agency to the two accused Contra cocaine dealers, Norwin Meneses and Danilo Blandón, was turned up. Deutch, however, told Waters that he had ordered CIA Inspector General Frederick Hites to conduct a thorough probe of the allegations, and report the results to him by early November.

Steinberg reviewed a string of Reagan Presidential Executive Orders and National Security Decision Directives, many of them now declassified, that placed Vice President Bush—

not the CIA—directly in charge of the Contra operation. Although active and former CIA personnel were involved in the Contra supply operations, Steinberg documented that it was senior Bush aides, including ex-CIA official Donald Gregg, ex-CIA officer Felix Rodriguez, and Marine Lt. Col. Oliver North, who administered the secret program from one day to the next, and had first-hand knowledge of the illegal drug trafficking by Contra pilots and "humanitarian aid" assets.

Steinberg also catalogued a series of official government investigations, including the 1986-89 Senate Foreign Relations Subcommittee on Terrorism, Narcotics, and International Operations ("Kerry Committee") probe, and the Iran-Contra probe of Independent Counsel Lawrence Walsh, which detailed numerous other instances of Contra involvement in large-scale cocaine trafficking into the United States, with the knowledge and complicity of U.S. government agencies.

"The evidence is overwhelming," Steinberg concluded, "that the Contras were flooding the United States with illegal drugs, to finance the war in Central America; and that Vice President George Bush sat on top of a command structure that supervised and protected this effort."

Edward Spannaus followed Steinberg's remarks by presenting the details of a model "kingpin" criminal bill of indictment, against Bush and others, for racketeering, conspiracy to import cocaine, obstruction of justice, obstruction of Congress, and continuing criminal enterprise. Spannaus pointed out that the draft indictment of Bush is based upon legal standards that are used in federal courts to send people to jail every day, and that the evidence used in the indictment is all in the public record. "The level of evidence against Bush, Gregg, Rodriguez, North, and others, in this indictment, is far more than exists in most cases," Spannaus said (see accompa-



Edward Spannaus presents EIR's new report on "drug super-kingpin George Bush," at a press conference in Washington, D.C. on Sept. 19.

nying article).

In the concluding formal remarks, Gail Billington recounted the role of her husband, Michael Billington, in leading LaRouche campaign fundraising efforts during the 1980s, that placed him squarely in the Bush-North target zone. Michael Billington is now in state prison in Virginia, serving an outrageous 77-year sentence for so-called securities violations. Billington was earlier a target of two federal indictments, in Boston and in Alexandria, Virginia—based on the same bogus financial fraud charges—and served two years in federal prison in the latter case.

Gail Billington detailed the case of Barbara Newington, a wealthy Connecticut conservative socialite, who funded several important LaRouche political initiatives during the mid-1980s, until she was personally pressured by Oliver North and one of his underlings, Carl "Spitz" Channell, into breaking off all ties to LaRouche. Within days of a May 1986 face-to-face meeting between North, Channell, and Mrs. Newington, the Bush-North White House secret team launched an illegal surveillance and dirty tricks campaign, targeting LaRouche, Billington, and others. This was part of a broader effort, run under several Bush-led White House special units, to target opponents of the Contra program.

The story breaks internationally

By Sept. 20, the story of the release of the *EIR Special Report* had broken internationally, and George Bush was al-

ready being contacted by reporters and asked to comment on the charges that he was the biggest crack cocaine kingpin of the 1980s.

In Venezuela, Mexico, and Colombia, a number of prominent newspapers and television news shows aired the *EIR* allegations. Reuters, which sent a reporter to the Washington press conference, issued a Spanish-language wire story. The story was published in *El Impulso*, in Barquisimeto, Venezuela, under the headline, "Bush Supercapo del Crack?" The article began, "George Bush, the aristocratic ex-President of the U.S. a super-capo of drug trafficking? For the editors of the controversial weekly magazine, *Executive Intelligence Review (EIR)*, Bush should already be serving a life sentence in jail for promoting the epidemic of cocaine that hit the United States during the last decade." Reuters contacted Bush about the allegations, which he denied. The Reuters story cited the model indictment and quoted Spannaus that "the majority of drug traffickers now imprisoned in the United States were convicted on the basis of less evidence than that which we have accumulated" against Bush.

NBC filmed the entire news conference, and released a news item on its Spanish-language all-news broadcast. The NBC segment featured an interview with *EIR* reporter Carlos Méndez, which aired in Mexico. The Mexican wire service Notimex, and Agence France Presse, both released lengthy wires on the report, which also found their way into several Ibero-American daily newspapers.

Not surprisingly, there are reports already coming to light of pressure on African-American newspaper editors and radio and TV news directors to black out the Bush dimension of the Contra-crack story, and focus exclusively on the "CIA" allegations. Several Washington area news shows that had scheduled coverage of the Bush charges, abruptly cancelled the stories. In short, a behind-the-scenes war has broken out, precisely along the lines that Lyndon LaRouche had forecasted, when he first commissioned the report at the beginning of the month.

McCaffrey endorses investigation

Even before the report's release in Washington, the media silence on the original *San Jose Mercury News* story had been decisively broken. On Sept. 14, speaking at an Operation PUSH event in Chicago, President Clinton's White House drug policy adviser, Gen. Barry McCaffrey, had publicly endorsed the call by the Congressional Black Caucus for a thorough probe of the allegations that the CIA and the Contras had flooded the streets of South Central Los Angeles with crack. McCaffrey told reporters that he had initiated his own probe into the Contra crack story. "I have talked to Deutch, and he says there's nothing to it. But until the American public is fully satisfied, there must be a full and thorough investigation."

McCaffrey's remarks were widely read as a green light from President Clinton himself for a serious probe of the 1980s Contra cocaine-trafficking allegations. This prompted a spate of news coverage of the story. In Italy's *Corriere della Sera*, in Denmark's *Jyllandsposten*, and Brazil's *O Globo*, front-page coverage was devoted to McCaffrey's comments, and to the original *Mercury News* story.

On Sept. 15, the *Chicago Tribune* editorial headline asked, "Another Contra-Inspired Horror?" "It is a breathtaking allegation and one that ought to be investigated by Congress, in its oversight role, and by appropriate prosecutorial authorities. It may be that no one can be held legally accountable at this late date, but the American people deserve an honest investigation, if only so history may not be distorted. . . . Attorney General Janet Reno ought to look into this matter immediately. And members of Congress concerned with drug abuse ought not rest until complete hearings on these allegations are authorized and held."

Two days later, the *Chicago Sun Times* seconded the call for a probe, citing McCaffrey's comments at Operation PUSH. "On Saturday, Gen. Barry McCaffrey . . . told an Operation PUSH gathering here that CIA director John Deutch has denied the allegations. Still, considering initial denials of the Iran-Contra affair and the Reagan administration's almost maniacal opposition to the Sandinista government, the air must be cleared. Was the operation to sell crack cocaine indeed designed and operated officially by the CIA and other agencies to finance Contra operations? Or was it done by a group of rogue agents fulfilling what it perceived to be the

wishes of higher-ups? And did officials look the other way to protect those involved? We must know."

The *Philadelphia Daily News*, in a Sept. 19 editorial, assailed Republican Presidential candidate Bob Dole and the national media for burying the story: "Why haven't you heard about this? The nation's press—preoccupied with Clinton's medical record, Dole's war record, Tupac Shakur's rap records—has not paid attention yet. But the pot is boiling, Clinton's drug czar, Gen. Barry McCaffrey, has called for a full investigation. . . . Don't tell Dole. We don't want reality to interfere with his campaign."

Rev. Benjamin Chavis, the chairman of the National African-American Leadership Summit (NAALS), which will be holding a national convention in St. Louis on Sept. 27, recently told the *Chicago Defender* that the Contra cocaine investigation will be one of the top priorities of the gathering.

Pending court actions

The Bush-Contra-cocaine scandal also is moving once again through the federal courts in California. Ricky Donnell Ross, the South Central Los Angeles crack dealer, and confederate of the Crips and the Bloods gangs, is awaiting sentencing on cocaine-trafficking charges that could carry a life sentence. Ross was the local distributor for the Blandón-Meneses ring, selling upwards of \$2 million a month in cocaine, provided from the Bush-Contra pipeline during 1981-87. As reported first in the *San Jose Mercury News*, on March 2, 1995, Ross was arrested via a sting operation, set up by his former supplier, Blandón, who was put on the U.S. Justice Department's payroll in September 1994. The details of Blandón's links to the Contras and to U.S. government agencies were withheld from Ross's defense attorneys during pre-trial discovery.

When the *San Jose Mercury News* broke the story of the Blandón-Contra-CIA links on Aug. 18 this year, Ross's defense attorney, Alan Fenster moved to have his sentencing delayed.

In a three-hour hearing in early September, in San Diego, U.S. District Court Judge Marilyn Huff agreed to allow Fenster to file papers demanding that the conviction of Ross be overturned, as the result of outrageous government misconduct. Assistant U.S. Attorney L.J. O'Neale, who arranged to get Blandón released from jail and placed on the government payroll, admitted to the court that "when Blandón says he sold cocaine for the Contras, yes, he did. . . . We never have found his credibility to be lacking." Nevertheless, O'Neale denied that the *San Jose Mercury News* stories about government collusion in the Contra cocaine trafficking were accurate.

Judge Huff also granted Fenster the right to file papers under the Classified Information Procedures Act (CIPA), that could force the government to either turn over secret documents related to the Contra cocaine business to the defense, or drop the case against Ross altogether.

Model drug 'kingpin' indictment of George Bush presented

by Edward Spannaus

A model indictment of George Bush and 10 others for conducting a drug-trafficking enterprise, and for other offenses, has been drafted and produced by *EIR*, and it comprises the final chapter of the just-issued *EIR Special Report* entitled "Would a President Bob Dole Prosecute Drug Super-Kingpin George Bush?"

The point of publishing the indictment is, first, to show that the evidence already exists, in the public, legal record, to prosecute Bush as a drug "kingpin," and, second, to show that this is an open-and-shut case, by applying the same legal standards as have been used to send tens of thousands, if not hundreds of thousands, of drug-traffickers to U.S. prisons.

The evidence compiled against George Bush in the *EIR Special Report*, and chronicled in the indictment, is far more than exists in most conspiracy cases. And, astonishingly, all of it is from the public record. The two major sources for the evidence in the indictment are the "Kerry Committee" Report, and the Final Report of the Independent Counsel for Iran/Contra Matters.

1. The "Kerry Committee" was the popular name for the Senate Foreign Relations Subcommittee on Terrorism, Narcotics, and Foreign Operations, which held hearings on "Drugs, Law Enforcement and Foreign Policy" during 1987 and 1988. The subcommittee began its investigation in early 1986, but its work was overshadowed by the media feeding frenzy around "Iran-Contra" and Oliver North, which began in late 1986. The Kerry Committee took testimony from 47 witnesses in all. Many witnesses, some who were convicted drug-traffickers, testified in great detail about the drug links to the Contra operations. Some were eyewitnesses or direct participants in guns-for-drugs shipments to Contra bases in Central America.

2. The Final Report of the Independent Counsel for Iran/Contra Matters (Lawrence Walsh), issued Aug. 4, 1993, contains a wealth of detail about the central role of George Bush and the Office of the Vice President in the Contra supply operations. The most important material is in the chapter on Donald Gregg, the 30-year CIA veteran who became Bush's national security adviser in 1982. Gregg had a decades-long friendship and association with former CIA operative Felix Rodriguez, and it was Bush's office which deployed Rodriguez to Central America and made arrangements for him to operate out of Ilopango military air base in El Salvador. The

Gregg chapter documents numerous meetings and communications among Bush, Gregg, and Rodriguez, and also between them and Oliver North, Richard Secord, and Contra leaders. Elsewhere in the Walsh report is evidence concerning the relationship between North, his "courier" Robert Owen, Owen's deployment to the Hull Ranch in Costa Rica, and their dealings with Contra leaders such as Adolfo Calero and Col. Enrique Bermúdez.

Putting the two reports together, and adding in some of the court documents from the Los Angeles Contra-cocaine ring, all of the evidence exists to put George Bush and his confederates away for a long, long time.

The indictment

The first, and longest part of the indictment is Count I, a racketeering conspiracy charge under the Racketeer Influenced and Corrupt Organizations Act (RICO), 18 U.S.C. 1962(d)—standard in prosecutions of major drug-traffickers. The RICO count of the model Bush indictment is, in a nice irony, adapted from the 1988 indictment of Manuel Antonio Noriega. Noriega was (falsely) charged with using his official positions to facilitate drug trafficking—a charge which was in fact not true for General Noriega, but which is 100% appropriate to the case of George Bush. The model Bush indictment includes a description of the "Enterprise," its purposes and objectives (financing the Contras, protecting narcotics shipments and -traffickers, and preventing discovery of the illegal activities of the Enterprise), and a listing of 80 overt acts committed in furtherance of the conspiracy.

Count II is a standard conspiracy count, charging a conspiracy to import marijuana and cocaine, in violation of 21 U.S.C. 952, 959, and 963.

Count III is the "kingpin" count, charging that Bush administered, organized, and led a Continuing Criminal Enterprise (CCE), in violation of 21 U.S.C. 848. The sentence for a first conviction under this section is a mandatory minimum of ten years, up to life imprisonment.

Count IV charges a conspiracy to obstruct justice, in order to prevent U.S. law enforcement agencies from investigating and prosecuting the Enterprise, in violation of 18 U.S.C. 1503. Count V charges a conspiracy to obstruct Congress, by obstructing and impeding investigations by Congressional committees, in particular the Kerry Committee, in violation of 18

U.S.C. 1505.

William Weld, who headed the Justice Department's Criminal Division from 1986 to 1988, is named in the last two counts, as well as Count I, for his role in obstructing investigations of Bush's Enterprise by law enforcement agencies and by the Kerry Committee.

Proving a conspiracy theory

Although the news media love to ridicule "conspiracy theories," federal prosecutors indict people for conspiracy all the time, and judges send people to jail for conspiracies all the time.

It is "hornbook law" that the nature of conspiracies is that they are clandestine, they depend on secrecy and concealment, and that therefore conspiracies often have to be proved by circumstantial evidence and by inference. For the "conspiracy theorists" of the law—and the U.S. Justice Department, and the U.S. Supreme Court—this is completely permissible. The elements of conspiracy which must be proven are that: 1) there exists an agreement between two or more persons; 2) there exists an intent to achieve a certain objective by unlawful means, or to achieve an unlawful objective by lawful means; and 3) at least one overt act is undertaken, by at least one of the conspirators, as a step toward carrying out the conspiracy or achieving its objective. An overt act need not be unlawful in itself; it can consist of something as simple as a meeting, or a telephone call.

The U.S. Supreme Court says that since most conspiracies are secret, a prosecutor can seldom present direct evidence of the agreement, and that a court and a jury may rely on inferences from the available evidence. It is not necessary to prove that each individual in the conspiracy had direct dealings with all of the others, or even knew the identities of the others. As far as the essential element of proof of agreement, such agreement can be tacit; it need not be written or spoken or expressly communicated.

A RICO conspiracy is slightly more complicated, and requires proof of two overt acts in a ten-year period, and a pattern of racketeering activity which can include drug distribution or importation.

These are the legal standards by which suspects are turned into defendants, and defendants are turned into convicts and inmates—every day.

The Kerry Report, plus the court documents in the Danilo Blandón and Norwin Meneses cases, give abundant evidence of drug-trafficking by and for the Contras, centered at Ilopango air base in El Salvador, and at the John Hull Ranch in Costa Rica. A number of those charged in the model indictment were directly involved in this drug-trafficking, including Norwin Meneses, Danilo Blandón, John Hull, Felix Rodriguez, and the now-deceased co-conspirator Enrique Bermúdez.

Working "up the ladder," as prosecutors like to do, we find that Meneses and Blandón were set up in the drug business by Contra leader Bermúdez, and we find from the Walsh report

that North, Bermúdez, and Calero often met, and that Robert Owen worked with Calero at North's request. We find Felix Rodriguez and Owen meeting at a hotel in Arlington, Virginia in January 1985, and then Rodriguez meeting with Bush and Gregg on Jan. 22, 1985.

We have a December 1984 meeting of Calero, Bermúdez, Owen, and Hull; a June 28, 1985 meeting of North, Secord, Calero, and Bermúdez; and an April 20, 1986 meeting of Rodriguez, North, Secord, and Bermúdez, at Ilopango air base. In North's notebooks, we find frequent references to Owen and Hull, and to drug-smuggling, particularly in connection with Hull.

Felix Rodriguez is a frequent link between the top levels of the conspiracy (Bush and Gregg), and the lower-level drug pilots and smugglers at Ilopango. The Walsh Report documents that Bush and Gregg facilitated Rodriguez being set up to operate at Ilopango, and it documents at least three face-to-face meetings of Rodriguez and George Bush. In one instance, ten days after the Rodriguez meeting with North, Secord, and Bermúdez at Ilopango, Rodriguez went to Washington and met Bush.

On Jan. 14, 1986, the Drug Enforcement Administration (DEA) country agent in Costa Rica, Celerino Castillo, met Bush at a reception in the U.S. Embassy in Guatemala, and tried to tell him that there was something funny going on at Ilopango. Bush turned away and refused to talk to Castillo, but five days later, Bush's deputy national security adviser flew to Ilopango and met with Rodriguez.

Who's doing George Bush's time?

This is just a sampling of the evidence already available in the public record, which should make a prosecutor drool. Were a zealous federal prosecutor to be turned loose on the case, with a team of FBI and DEA investigators, subpoena power, and the power to compel testimony before a grand jury, we would soon see that this is just the tip of the iceberg.

But what is already there, which has been compiled into the model indictment by *EIR*, is far more proof than people are sent to prison on, every day. There are probably 400-500,000 people in U.S. prisons and jails for drug offenses. About 30% of state prisoners were committed on drug charges, and about 60% of federal prisoners.

During the 1980s, there were well over 100 "kingpin" convictions in federal courts each year, on charges of running a Continuing Criminal Enterprise. Interestingly, the number of kingpin convictions dropped sharply under the Bush administration (was he nervous?), while the total number of drug convictions rose.

But while 1-2,000 "kingpins," and hundreds of thousands of lesser drug offenders, sit in U.S. prisons, the biggest kingpin of them all, George Bush, is still loose. The model indictment presented by *EIR* demonstrates what should have been done a long time ago. There are enough other people doing George Bush's time; now let's have him do his own.



'I am leading a crusade to defeat Congressman ValuJet'

Maria Elena Milton, the LaRouche Democrat who won an upset victory in the Arizona Fourth Congressional District Democratic primary on Sept. 10, was interviewed by Frank Bell for EIR on Sept. 19. Milton is an Hispanic American mother of four, who, besides winning the Democratic primary, is also a coplaintiff with former Presidential candidate Lyndon LaRouche in a Voting Rights Act lawsuit against the Democratic National Committee and the Arizona Democratic Party, among others, for their having kept Mr. LaRouche off the Arizona primary ballot. Having defeated the "Jim Crow wing" of the Democratic Party in Arizona, whose head, Sam Coppersmith, did everything he could to defeat her, Milton now faces incumbent Republican John Shadegg, the chairman of Newt Gingrich's GOPAC fundraising outfit, in the Nov. 5 general election. The interview has been excerpted.

EIR: Why did you run against John Shadegg?

Milton: I felt compelled by the evidence that the policies of Newt Gingrich, Shadegg's GOPAC, and the "Contract on America" would lead to mass genocide. I simply could not stand idly by and allow this to happen. I thought, we have to challenge this. We have to do everything in our power to bring this evil contract out into the open and have a clear debate on this.

EIR: Before you got a chance to take on John Shadegg in the general election, you had to win the primary contest. And the Democratic Party officialdom was opposed to you. Why?

Milton: Because of my affiliation with Mr. Lyndon LaRouche. Last year, after attending my very first Labor Day conference [of the LaRouche political movement], when I came back to Phoenix, the first person I called was the chairman of our state party to say, "I want to get involved. I want to mobilize Democrats. We've got to revive the American System of economics as taught by Lyndon LaRouche. Do you know Lyndon LaRouche? He's a genius." The state chairman, Sam Coppersmith, said, "Well, I think he's an extremist." I said, "Let me prove to you he's not."

Next thing I know, he's writing slanders against Mr. LaRouche, he's suing the secretary of state [to keep LaRouche's Presidential campaign off the Arizona ballot] and the LaRouche Presidential campaign committee, which I

was chairing at the time. He effectively prevented Mr. LaRouche from being in the primaries here in Arizona.

EIR: Using "Jim Crow" citations.

Milton: Yes.

EIR: You now have a clear shot at John Shadegg. What is this fellow, other than the congressman from the fourth district in Arizona? He chairs Gingrich's money-laundering machine, doesn't he?

Milton: That's correct. He is a very powerful henchman of Newt Gingrich. As I stated in my victory statement [see *EIR*, Sept. 20], I'm going to mobilize all of the voters and the citizens in this district, of both parties, and independents as well, for a great crusade to destroy this "Contract on America." Having secured the victory, I've now laid the groundwork to go against "Congressman ValuJet," which is how I refer to him.

EIR: Why?

Milton: Because his policies kill people. Not only because he took \$320,000 from the founder of ValuJet [Richard Gilder]. Look at what happened there. Look at the people who died in that crash. He received this blood money to push policies of deregulation and, eventually, to destroy or shut down the FAA [Federal Aviation Administration]. So, Congressman ValuJet, get out of the way, you're not morally fit to serve in office.

EIR: What are the things that you are going to be campaigning on, in a primarily Republican district?

Milton: There are two bombshells that I have for Congressman ValuJet. Number one, is this issue of privatizing Social Security: The fact that he is a major conspirator in the hushing up of this ambush that they're preparing for Grandma after November.

EIR: Can you explain that?

Milton: Congressman Jim Kolbe [R-Ariz.] of Tucson let the cat out of the bag in *Steelabor News* (May-June 1996), when he said that he, Newt Gingrich, and Rep. John Kasich (R-Ohio), had all agreed that, after November, after their big win,

they're going to privatize Social Security. But, he said, we have to keep it hush-hush until then.

Why? Why, if this is such a good idea; why, if you are so excited, keep it a secret? Let's talk about it now. Let's tell Grandma right now that privatization is a fancy word, it's a slick term for stealing. That's how I see it. That's the thing that I'm going to be talking about all over this district. If he's so excited about this, let's put it out on the table.

So that's one bombshell that we are going to drop. The other one is the Republican connection to the number one drug kingpin of the world, George Bush. I call him the Grand Old Pusher of the Republican Party. Bob Dole just came here to Phoenix to visit Joe Arpaio's tent city. Arpaio is the Nazi sheriff of Maricopa County. We had a sign up, when Dole was here [on Sept. 9], that said, "How many hundreds of thousands of men are doing George Bush's time," rotting in our prisons? Today, Sheriff Arpaio had women in chain gangs, for the first time ever in this country, which is despicable in itself. How many of these women in chains are doing George Bush's time?

If these guys are so tough on crime, why go after small fry? Why not go after the big fish? They say that fish stink from the head. Let's go after the head. George Bush established this Contra crack epidemic through the Crips and the Bloods gangs. Now it turns out that the Grand Old Pusher of the

Republican Party was the godfather of the Crips and the Bloods.

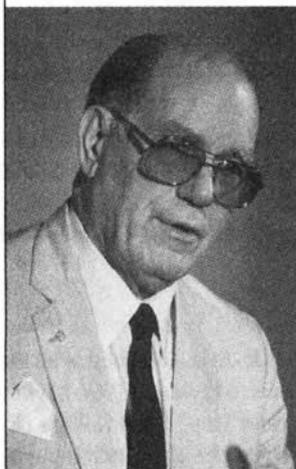
Now, if Gingrich, who is the second most powerful elected official in this country, does not immediately push for Congressional hearings, with a special prosecutor, then how can they say that they are so tough on crime, that they are so moral, that they have all these family values. I will challenge Congressman Valujet on that point, because frankly, I think this is all hypocrisy.

EIR: You've got basically six weeks till the election. These are the two things that you're going to go after?

Milton: And one other thing. This is where Mr. LaRouche's method of organizing people is a very exciting tool. Because people are very excited that I don't talk like a politician. I talk like a human being. I go out there and I tell the truth. I name the names and people get electrified. They trust and they know when someone is telling them the truth. So now the rank and file Democratic voter out there is excited that finally, someone is going to defend them, is going to stand by them. I've been out at party meetings, at forums, on the streets, talking with labor, minorities, seniors, and the response that I'm getting is, "Hey, one of our own is willing to go to bat for us." We're going to keep doing this and we're going to keep mobilizing.

Over the course of these next six weeks, we're going to

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form a grassroots citizen army, a crusade that will stop this “Contract on America.” It will have a great spillover effect, not only in Arizona, but all around the country. Because this is the way that citizens have to take over their country. That’s what I hope to be doing over the next six weeks.

EIR: Let’s look at the prospect of your winning, getting into Congress. What is that going to mean?

Milton: I think that Mr. LaRouche has laid out the track fairly well. He has been warning us about the disintegration of the financial markets. At the very same time, a priority for the Congress has to be the cleanup of the top brass of the Justice Department. We find the top brass of the Department of Justice, the same spooks that went after Mr. LaRouche, actually aiding and abetting the Contra thugs, the *narco-trafficants* that set up this whole crack epidemic. I believe this kind of corruption absolutely must go. We have no room to tolerate this nested network in the Department of Justice.

There’s going to be a lot of work and it has to be done in a very timely fashion, because, as Mr. LaRouche has said, the time that you organize for a crash is *before*, not after.

I want to be a part of the national mobilization effort that cleans the house of the whole Gingrich pathology. Once having cleaned that out, I think we can look to organizing the Congress and the Presidency out of the depression, out of the economic collapse that we have been going through for the past 25 years. We simply have to have a total reversal of these policies and begin to implement those major strategies that Mr. LaRouche has outlined.

For example, we’re going to have to nationalize the Federal Reserve. It’s more than bankrupt. It’s now in an advanced state of parasitism. It’s a threat to the lives of everyone. We simply have to shut that thing down in an orderly fashion and create a National Bank with inexpensive credits. We have to re-ignite the engines of industry once again and get the massive infrastructure projects, like the Eurasian land-bridge and projects of that nature, going, as well as rebuilding our own industrial base.

These are the things that I would find very rewarding as an effort, very necessary for the country. I think we will find ourselves very busy with these endeavors.

EIR: It looks like you have a clear road to fight for that.

Milton: Yes, and a goal that I have through this, is that the LaRouche name will be known far and wide. All of the slanders that have been leveled against him will be dispelled. People will come to know who the true LaRouche is, which the media has for many years tried to suppress. That is a goal that will just happen naturally as a result of my campaign.

People just need to look at the track record. Let’s look at the scalp belt of Mr. LaRouche. There hangs the scalp of Ollie North, Governor Ridge, Phil Gramm, but we still have room on that scalp belt for a few more, like Gingrich and George Bush and Congressman Valujet.

Soros finances drive for drug legalization

by Scott Thompson

Financier George Soros has given nearly half a million dollars to promote “medical marijuana” ballot initiatives in California and Arizona. Although the ostensible purpose of these initiatives is to make marijuana available for symptom relief from such diseases as AIDS, glaucoma, and cancer, the cabal of drug legalizers whom Soros is funding has long described the medical use of marijuana as a “foot-in-the-door” for broader drug legalization. On Sept. 11, Presidential Drug Policy Adviser Gen. Barry McCaffrey denounced the initiatives as “dangerous and wrong.”

Soros heads the Soros Fund Management, which oversees an array of multibillion-dollar offshore funds of dubious legality. He has so far contributed \$15 million—1% of his total alms—to groups advocating an array of alternatives to the Clinton administration’s “War on Drugs.” Recently, Soros made a personal donation of \$350,000 to fund a “medical marijuana” ballot initiative in California, and organizers for the initiative admit that they would never have managed to gather the 433,000 signatures needed to get their measure on the ballot, without this contribution. Soros gave another personal donation of \$100,000 for a similar ballot initiative in Arizona. In Arizona, there are other large contributors to pass Proposition 200, including John Norton, a produce millionaire, and former deputy secretary of agriculture in the Reagan administration.

Nadelman and the Lindesmith Center

Coordination with the organizers of the California and Arizona ballot initiatives is being handled on Soros’s behalf by Ethan Nadelman. He is the head of the Open Society Institute’s Lindesmith Center, which takes its name from a British detective who argued for leniency in “victimless crime.” Nadelman is a former Princeton University professor, who has also been a board member of the Drug Policy Foundation. In 1994, Soros, through his Open Society Institute, gave the DPF a three-year, \$10.5 million matching fund grant.

Soros had already given the DPF—which is the leading voice for drug legalization in the United States—\$500,000 since 1992.

Almost a decade ago, at a DPF annual conference, Kevin Zeese, formerly the national director of the National Organization for the Reform of Marijuana Laws (NORML), now DPF’s vice-president and counsel, slyly boasted that the “medical marijuana” issue could be used as the opening

wedge to bring about legalization of recreational use of drugs. DPF has been working in this direction ever since. Nadelman, at his new post as head of the Lindesmith Center, produced a study entitled "Exposing Marijuana Myths: A Review of the Scientific Evidence," in which he praises the Dutch model, where marijuana (along with other drugs) can be legally purchased and consumed in cafés. Although Nadelman asserts that legal marijuana users do not move on to "harder drugs" like heroin, his study completely overlooks the fact that the Netherlands is a European subcenter for "techno-rock" and new mind-destroying synthetic drugs like "Ecstasy." (Incidentally, the e-mail address of the Lindesmith Center is "enadeldmann@sorosny.org.")

Where did Soros get his money?

Where did drug legalizer George Soros get his money? According to a former business partner of his, back in the late 1960s, when Soros was starting up his offshore investment empire, he turned to one of the Rothschild family's retainers to obtain his start-up capital. It was an ironic and, perhaps, prophetic choice. George Karlweis, Soros's initial benefactor, had, just a year earlier, put up seed funds, courtesy of Rothschild's Banque Privée, to launch the career of an ambitious man from Detroit, Michigan named Robert Vesco.

With Karlweis's backing, capital infusions from Meshu-

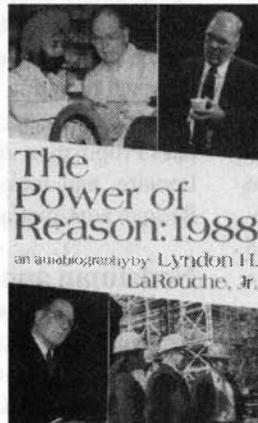
lam Riklis, a financial front man for Drexel Burnham Lambert's Michael Milken, and with legal and financial support from the Anti-Defamation League of B'nai B'rith, Vesco launched a string of takeovers, beginning with the buyout and looting of Investors Overseas Services, a shady, Swiss-based mutual fund that had been used by National Crime Syndicate boss Meyer Lansky to launder proceeds from his illegal drugs and gambling empire. Vesco spent the next 20 years parlaying the \$260 million he had looted from IOS, into his own global crime syndicate. Vesco became, first, the "American Connection" to the Medellín Cartel's chief of logistics, Carlos Lehder Rivas, and, eventually, Fidel Castro's bag-man for Cuba's drug-trafficking, industrial espionage, and narco-terrorist operations throughout the Western Hemisphere.

Historians may well look back on Soros—who, in one 48-hour speculative binge in September 1992, made a \$2-3 billion net profit by crippling the Italian lira and British pound sterling—as the Robert Vesco or the Robert Maxwell of the late 1990s. At the peak of their careers, Vesco and Maxwell (the British wartime assassin-turned-speculator) were viewed as pioneers in the late-20th-century "growth industry" of financial piracy. Today, Soros is the king of the financial pirates, and he is using his enormous wealth to destroy the social fabric of the United States by legalizing narcotics.

Books by Lyndon H. LaRouche, Jr.

The LaRouche case "represented a broader range of deliberate cunning and systematic misconduct over a longer period of time utilizing the power of the federal government than any other prosecution by the U.S. Government in my time or to my knowledge."

—Former U.S. Attorney General
Ramsey Clark

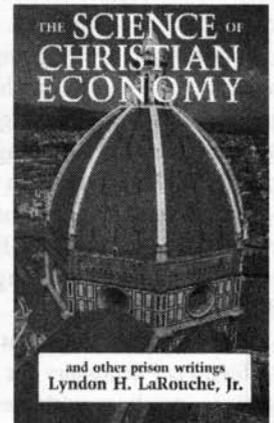
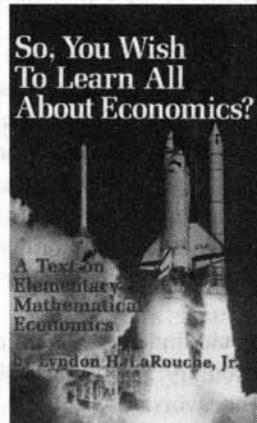


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Democratic senators debunk free trade lies

On Sept. 10, 1996, Democrats Byron Dorgan (N.D.) and John Kerry sponsored Amendment 5223 to the Treasury, Postal Service, and General Government Appropriations Act of 1997, which would close a loophole in the tax code that favors free trade. The amendment was voted down in the Republican-dominated Senate. The loophole encourages U.S. companies to move production overseas, by deferring taxes on the profits of goods shipped back into the United States for sale. Below, we excerpt from the Senate floor debate. In another part of his remarks, which does not appear here, Senator Dorgan refers to a 10-part series that began in the Philadelphia Inquirer on Sept. 10, which lays out the need to revive a national perspective for “protecting” our productive economy. In fact, as Sen. Ernest Hollings (S.C.) summarizes below, our nation was founded on a policy of protecting the right of our economy to develop, from the ravages of British colonialism. In addition to Dorgan and Hollings, Sen. Barbara Mikulski of Maryland, also spoke.

Dorgan: Since 1979, we have lost about 3 million good-paying manufacturing jobs in this country. We continue to see manufacturing jobs move elsewhere, and I know people say, “Well, yes, but we have more service jobs,” and this and that and the other. The fact is that getting a job at minimum wage, working for some discount store on the edge of a city, is not a replacement for good manufacturing jobs that traditionally have paid good income in this country. This is what is happening to manufacturing jobs in our country. That is a ominous trend. Part of that is because those manufacturing jobs are being exported. Exported how? Well, for a lot of reasons, one of which is that we actually encourage it in our Tax Code.

Hollings: Mr. President . . . this is a subject that really deserves several days of debate. You cannot be a world power—let’s talk security and national defense—you cannot be a world power unless you are a manufacturing power. Ten years ago, we had 26% of our workforce in manufacturing. We almost had half at the end of the war. . . . Today we are down to 13%.

That Up East Harvard group would give that lecture, “small is beautiful, service economy,” all these nonsensical arguments. And we are going to the poorhouse. That is why real wages have dropped 20% in the last 20 years, for the simple reason that the big multinationals have increased

their profits by moving offshore.

Let me plead guilty, I am a protectionist. We have the Army to protect us against the enemies from without. We have the FBI to protect us from the enemies within. We have Social Security to protect us from the ravages of old age, Medicare to protect us in ill health. The fundamentals of government, that is what we are up here for.

Remember, we heard this same argument about comparative advantage and free trade from David Ricardo in the earliest, earliest of days. Or the Brits, once we got our freedom, they said, “Now, just you little fledgling nation, the United States of America, you trade back with the mother country with what you produce best, and we will trade back with what we produce best: the doctrine of comparative advantage, free trade, free trade, free trade. And you know what Alexander Hamilton said? He wrote it in a little booklet, *Report on Manufactures*; Get a copy of it. There is one left. It is on guard over there at the Library of Congress. . . .

And in the *Report on Manufactures*, Alexander Hamilton told the Brits in one line, “Bug off. We are not going to remain your colony. We are not going to continue to ship our agricultural products, our timber, our iron, our coal, and bring in your manufactured products. You have to be a nation-state. You have to have a preeminence in manufacturing.”

The second bill, Mr. President, on July 4, 1789 that actually passed this Congress was a protectionist bill, setting a 50% tariff on 60 some articles going on down the list. And we built this United States of America, this economic giant with protectionism.

Abraham Lincoln, when he was going to get the transcontinental railroad—that same type of crowd is buzzing around us here tonight; and they will be around tomorrow; and they will say, go ahead and let us have free trade, free trade—they told President Lincoln that we should get the steel from England. He said no. He would build our own steel mills. When they got through, they had not only the transcontinental railroad, but they had their own steel capacity.

This is a serious amendment to bring the attention of the U.S. Senate to this all-important problem of losing our standard of living and jobs. Let’s quit financing it, let’s stop subsidizing it, let’s stop bankrolling it, and let’s stop using that symbolic nonsense of free trade and protectionism. We have to come here and start protecting our industrial backbone.

Mikulski: The current law costs the American taxpayer. The Joint Economic Committee estimates this subsidy will result in \$2.26 billion over seven years in lost revenues. . . . Current law actually puts companies that remain in the United States at a competitive disadvantage. We don’t reward the good guys. We don’t provide a tax break for them for keeping jobs here at home. Instead we make it harder for them to compete by giving an edge to those who move jobs overseas.

Gingrich ethics report stays on front burner

On Sept. 12, a chorus of Democratic leaders went on the House floor to demand the release of the 200-page report which special counsel James Cole submitted at the conclusion of his investigation of GOPAC, Newt Gingrich's political action committee, in response to complaints filed with the ethics panel. The Democrats, led by Minority Whip David Bonior (Mich.), quoted the 1989 statement made by Gingrich, demanding the release of the special counsel report on former Speaker Jim Wright (D-Tex.), which forced his resignation. Bonior was joined by Rosa DeLauro (D-Conn.), John Lewis (D-Ga.), Pat Schroeder (D-Colo.), and George Miller (D-Calif.). A ruckus ensued, and the microphones were cut off.

Bonior, at a press conference following the confrontation, said, "The ethics committee has had [Cole's] report for exactly one month now, but we still don't know what the report says, because the committee refuses to act on it and refuses to make it public. Newt Gingrich has been protected for nearly two years. And now that the outside counsel has submitted an extensive report of his investigation into Newt Gingrich's violations of tax law, tax fraud, corruption, and abuse of power, the committee is trying to keep it secret. This is a shameful abuse of power. If this report cleared the Speaker's name, don't you think it would have been released in a heartbeat? Is this report so damaging to Newt Gingrich that the Ethics Committee has to keep it secret?"

Bonior continued, "Now, during the investigation of another Speaker seven years ago, Newt Gingrich himself said, 'I think it is vital that we establish as a Congress our commitment to publish that report and to release those documents, so the country can

judge whether or not the man second in line to be President, the Speaker of the House, should be in that position.' Well, shouldn't that same standard apply to Speaker Gingrich himself? . . . The strategy of the ethics committee is to keep this report hidden until Congress adjourns, so the American people never see it. But we will not let that happen."

Colombian cops, soldiers seek help against drugs

The head of Colombia's anti-narcotics section of the National Police, and the Army head of the joint police-military "search bloc" against the Cali Cartel, testified Sept. 11 before a hearing of the U.S. House subcommittee on Western Hemisphere Affairs, chaired by Dan Burton (R-Ind.), on why more effective technology and weaponry should be made available to Colombia's anti-drug war.

In addition to noticeable contempt shown to the Army colonel by Burton, the emphasis of Burton, as well as several other committee members, was on "preserving democracy" and "fighting human rights abuse" by the military, rather than stopping the narco-terrorist insurgency. Both the committee members and Assistant Secretary of State Robert Gelbard expressed their "serious concern" that proposed reforms to the Colombian Constitution, which would give the military back some of its legal weaponry against the enemy, would "roll back" the concept of civilian control of the military. In sharp contrast, the Colombian police and Army colonels reiterated that Colombia is in a battle for survival against a narco-terrorist threat which must be overcome at all cost.

At one point, the Colombians were baited by Robert Menendez (D-N.J.).

"Why should the U.S. give lethal weaponry to the military, which will use it for counterinsurgency abuse against opposition groups?" he asked. The police colonel retorted that without the Army, the war on drugs will not be won. It is true, he said, that the National Police are constitutionally charged with drug eradication. But, he argued, police forces would be slaughtered by the narco-terrorists guarding the laboratories and the crops, if they didn't have protection from the army. Both colonels emphasized that they had just come from the battlefield, a reality which did not seem to penetrate the subcommittee's self-appointed democracy lovers."

Senators extol Bush's Iraq policy

The Senate Armed Services Committee paid homage to former Secretary of State James Baker III for crafting the Gulf policy which, they said, President Clinton was only continuing, at a hearing on Sept. 12. Completely ignored was the fact that the Gulf War, organized by George Bush and Margaret Thatcher, was part of designs for one-world government.

Richard Bryan (D-Nev.) said that he "was one member who was pleased to support the policy that he [Baker] and former President Bush had put together as part of Operation Desert Storm."

Sam Nunn (D-Ga.) gushed that "in terms of managing an alliance, I can't think of a better job than the one that was done by [Baker] and President Bush, Brent Scowcroft, Dick Cheney, and others in the Persian Gulf War."

Baker said that President Clinton had allowed the Gulf War coalition to collapse, and every effort had to be made to pull it back together to support

the expanded no-fly zone in the south of Iraq. To senators who were calling for the elimination of Saddam Hussein, Baker said that the "Lebanonization" of Iraq must be prevented. He said the policy should be a return to the UN Security Council Resolution and "containment."

House panel takes up crime in Nigeria

On Sept. 11, the House Subcommittee on Africa, chaired by Ileana Ros-Lehtinen (R-Fla.), held a hearing on the threat of organized crime in Nigeria. The attack on the Abacha government of Nigeria is part of a British-orchestrated policy to destroy any government that might resist International Monetary Fund policies in Africa. Ros-Lehtinen claimed that "it can be argued that corruption in this West African nation is certainly one of the more serious problems threatening, not only the future of Nigerian democracy, but also U.S. domestic and international interests."

Some witnesses, such as Deputy Assistant Attorney General Mark Richards, wanted to use the issue of organized crime for a political attack on the Nigerian government. Others were looking at the situation from the standpoint of law enforcement.

Subcommittee members also took different approaches. Tom Campbell (R-Calif.) clearly intended his questions as a means of discrediting the Nigerian government, whereas Amory Houghton (R-N.Y.) wondered how the situation was any different from any other country which has serious problems with organized crime.

At issue was a form of financial fraud called "advanced fee fraud," in which criminals operating out of Nigeria swindle millions of dollars out of

suckers in the United States, by claiming to be legitimate businessmen or dissident government officials who need help moving money around. Apparently, people have been induced to turn over their bank account numbers, or to pay money, after receiving written solicitations for such schemes.

When asked why the situation in Nigeria is more dangerous than in a country such as Colombia, Richards said that Nigerians are more "ruthless." He called for continued pressure on the Nigerian government to get its house in order, and for a mobilization of other nations on the issue. Houghton wondered if this were not the responsibility of the administration. "Should we be building up pressure with other countries on a nation?" he asked.

'Gay' anti-discrimination bill rejected by Senate

A bill to prohibit discrimination against homosexuals in the workplace was defeated by a 50-49 vote in the Senate on Sept. 10. The bill was put forward by its proponents as a way of ending discrimination in the workplace. Edward Kennedy (D-Mass.) said the bill "is not about special rights; it is instead about equal rights, equal protection." John Chafee (R-R.I.) said the bill does not protect inappropriate behavior in the workplace. "The same would apply to a non-gay individual who conducts himself inappropriately."

Opponents of the bill pointed to the potential problems of extending federal anti-discrimination protections to a mode of behavior. Dan Coats (R-Ind.) said the "practical impact of this bill is that employers will no longer be able to consider or hold an employee accountable for any acts related to

their sexual orientation." He added that if the bill becomes law, "it will give the federal stamp of approval to activities that are still considered illegal in many states," and "individual employers, employees, for-profit religious organizations [non-profits were exempted in the bill] and enterprises will no longer be able to conduct their business without fear of federal intrusion and potentially costly litigation."

Robert Byrd (W.V.), one of three Democrats to vote against the bill, explained after the vote that passage of the bill would have placed "sexual conduct on an equitable legal footing with such benign, nonbehavioral factors as race, gender, and national origin, immutable characteristics which each of us possess, but which none of us can alter."

Nickles moves to block District welfare waiver

Sen. Don Nickles (R-Okla.) introduced legislation on Sept. 9 to prohibit any waivers of the five-year limitation on welfare benefits that was enacted as part of the welfare reform bill signed into law by President Clinton last August. Nickles's bill is aimed at the waiver that was approved for the District of Columbia the same day the bill was signed. That waiver exempts the District from the five-year limitation for ten years.

Nickles said that the waiver attacks the five-year limitation on benefits, which he termed the "cornerstone" of the reform legislation. He also complained that it took the Clinton administration only 14 days to approve the D.C. waiver of the new requirements, when it has had in hand the Wisconsin waiver from the old requirements for 103 days, but still hasn't acted on it.

National News

Arizona: Milton presses Dole on Bush drug ring

At an airport press conference in Phoenix Sept. 17, Democratic Congressional candidate Maria Elena Milton took "politics as usual" off the agenda, just one hour before GOP Presidential nominee Bob Dole flew in to claim he is "tough on crime."

Milton, a LaRouche Democrat, had already stunned the state's official party leaderships by handily defeating her opponent in the Sept. 10 Democratic primary. She began her press conference by asking, "Would President Bob Dole arrest the number-one drug kingpin, George Bush?" She then elaborated on the growing scandal and calls for investigation, surrounding Bush's role in launching the "crack" cocaine epidemic in the United States, and previewed some of the evidence released in an *EIR Special Report* Sept. 19.

Milton concluded her remarks by holding up a sign for the television camera, referencing the barbaric Maricopa County jail Dole would be visiting later in the day: "How many of Sheriff Joe Arpaio's prisoners are serving George Bush's time?" Milton reminded the reporters, "Dole says that the hallmark of his campaign, is that he's tough on drugs and crime. You can't stop drugs, by only going after the street pushers. You have to go to the top. Why isn't Dole going after the Godfather—George Bush?"

Susan McDougal attacks plot to 'ruin' Clinton

At a hearing Sept. 13, federal Judge Susan Webber Wright refused to lift a contempt-of-court order against Susan McDougal, ordering that she continue to be jailed until she agrees to "cooperate" with Whitewater independent counsel Kenneth Starr. "I don't believe I can be purged of my contempt for these people," McDougal said. "They sit at that table calling themselves representatives of the U.S. government, and that to me is the

greatest injustice of all."

McDougal accused the prosecutors of lying, leaking grand jury testimony to the press, and using her to get at President and Mrs. Clinton. "They have an agenda to ruin the President," she said. "They're after the Clintons, and they're killing me to do it. How can I trust them?"

Starr's deputy Ray Jahn attacked McDougal for using a delay granted by the court, to "leave the jurisdiction and fly to California to appear on two nationally televised interviews. This behavior itself is contemptuous of the court." The judge apparently agreed, saying that McDougal was supposed to be working with her lawyers on her appeal, not "appealing to the American public."

In an interview from jail Sept. 17 on NBC-TV, Susan McDougal insisted that she will never testify for Starr. "He has lied repeatedly. I won't deal with him," she said. "I don't know what the future holds, but I can tell you I become stronger with each day."

Bundy, treasonous chief of U.S. elite, is dead

McGeorge Bundy died Sept. 16 at the age of 77, following a heart attack at his home north of Boston, close by the ill-gotten estates of the Cabots and Lowells and other families of America's Anglophile elite. Lyndon LaRouche had long identified Bundy as a leading representative of the British enemy in 20th century America.

A *New York Times* obituary Sept. 17 stressed that Bundy was "a descendant of the Boston Lowells on his mother's side." His Lowell ancestors led the regroupment of the New England Tories who had opposed the American Revolution, and paved the way for the re-emergence of British financial and political power in the United States.

Like George Bush, Bundy was inducted while at Yale into Skull and Bones, a secret society founded on the fortune of the Russell family, one of the leading U.S. profiteers during the 19th century in the British-controlled opium trade. Bundy was sponsored in politics by Skull and Bones patriarch and

Republican Party leader Henry L. Stimson. Bundy, a registered Republican, assisted John Foster Dulles in running foreign policy for Thomas E. Dewey's 1948 Presidential election campaign.

Forwarded from his post as Dean of Harvard College, Bundy entered President John F. Kennedy's administration as National Security Adviser. There Bundy pressed JFK to go ahead with the Bay of Pigs fiasco, previously designed by Allen Dulles and Averell Harriman. With Robert Strange McNamara and Dean Rusk, Bundy then created a junta within the Kennedy administration to steer the United States into the suicidal and genocidal Vietnam War.

After President Kennedy's murder, Bundy continued as National Security chief, running the cover-up of the British-authored assassination, and pressing ahead with the escalation in Vietnam which JFK had resisted. After destroying the Johnson administration with this policy, Bundy became president of the Ford Foundation, and "reversed himself" on Vietnam.

In the late 1960s, Bundy used the Ford Foundation—which had long been a nest of dirty British operations under chairman of the board John J. McCloy—to push the United States into the "paradigm shift" of cultural pessimism and the "post-industrial society." Bundy regarded the drug-ridden "counterculture" as an ideal tool for the project—as he demonstrated by funding the insane Mark Rudd and the SDS Weathermen.

'Three strikes' law runs amok in California

The "three strikes and you're out" law, the brainchild of the Conservative Revolution adopted by the federal government and 22 states in the last three years, has been applied almost exclusively in California, where Gov. Pete Wilson's Nazi-like policies have spread like a plague through nearly every aspect of public life.

According to a study released Sept. 9 by the Washington, D.C.-based Campaign for an Effective Crime Policy, in California the law has resulted in 25-years-to-life impris-

onment for more than 1,300 offenders on third-conviction felonies, and doubled sentences for 14,000 second-time felons. The report also notes previous studies showing racial bias in the application of the California law, as 43% of the state's third-strike inmates are black—even though blacks make up only 7% of the state's population, and account for 20% of its felony arrests.

By contrast, the federal three-strikes law, passed as part of the 1994 Omnibus Crime Bill, has resulted in only nine convictions to date. In a number of states, including New Jersey, Pennsylvania, North Carolina, Tennessee, Colorado, and New Mexico, there have been no convictions under the measures, Wisconsin has convicted 1 person, Georgia 5, Indiana 10, and Washington state 53.

In most states which have adopted the three-strikes law, prosecutors and judges believe that using existing habitual-offender statutes, to secure lengthy prison terms for repeat violent offenders, gives them more flexibility. In California, according to the report, 85% of repeat offenders are going to prison for life for a non-violent offense—a fate which lawmakers say they did not intend.

Taxpayers' funds for assisted suicide attacked

Featured speakers at a Sept. 4 forum in Washington, D.C., warned against the growing tolerance for the Nazi policy of euthanasia, especially in the wake of a federal court ruling approving the use of Medicare or Medicaid payments for "assisted suicide." According to the Arlington, Virginia *Catholic Herald* of Sept. 12, Sen. John Ashcroft (R-Mo.) plans to introduce a bill prohibiting such use of federal funds.

Rabbi David Novak of the University of Virginia, recalled during his speech the experience of Jews in Nazi Germany. The debate continues, he said, as to who "owns" human life: the individual, the state, or God. Based on Jews' experience with the Holocaust, "most of us would recoil in horror at the suggestion that human life would belong to the state." Rights all too quickly become

duties, including the "right to eliminate yourself," he said. He added that from 1933 to 1939, when the Holocaust began, the leading cause of death among German Jews was suicide.

Dr. Carlos Gomez, assistant professor of medicine at the University of Virginia, warned that euthanasia is now being practiced in the Netherlands on a large scale, under the protection of law. "How many handicapped children are making it out of Dutch nurseries these days?" he asked.

Suicide rates rise with 'country music' doses

Those ever-lovin' British psychological profilers have just announced that their promotion of so-called "country music" has increased the suicide rate in the United States. Reporting Sept. 11 to the annual meeting of the British Science Association, University of Leicester psychologists David Hargreaves and Adrian North included this finding, in their study of how "music" influences human behavior.

The researchers said that their studies of several urban areas of the United States showed a correlation, between the frequency with which country music was played on the radio, and the suicide rate among white males. Their report could hardly have been a surprise, given the fact that country music, calculated to promote a sense of loss, hopelessness, and despair, was created as a tool of British cultural warfare against the United States.

On other "mood management" fronts, the Leicester behavioral psychologists claim that U.S. economic recessions are predictable, by the degree of pessimism in the lyrics to songs on the pop charts. The researchers also allege that "fast music" leads shoppers to move around a supermarket faster, leads diners to eat more quickly, and makes people drink more rapidly in bars. Sad, low music in card shops, they say, sells more greeting cards. Classical music—the bane of a behaviorist's existence—is cited simply for encouraging the purchase of more expensive bottles from a wine cellar.

BANKRUPTCIES filed in the 12 months ending June 30, 1996, increased to more than 1 million, more than double the number recorded ten years ago, according to the Administrative Office of the U.S. Courts. Bankruptcies during the second quarter of 1996 hit a record level, with 297,162 personal and business filings. A bill has been filed in Congress to create 11 new bankruptcy judgeships, just to handle the backlog.

CHRISTIAN COALITION head Ralph Reed, in his keynote address to its "Victory Conference" Sept. 13, threw America to the lions. Reed invoked "Margaret Thatcher, Ronald Reagan's great comrade and friend in the struggle against communism." He quoted Thatcher's claim that she was in politics for "one reason only, because of a conflict between good and evil, and because I believe that good will triumph."

THE PHILADELPHIA Inquirer launched a three-part feature Sept. 8, blasting free trade and the post-industrial society. Entitled "America: Who Stole the Dream?" it declares, "It would not be much of an exaggeration to say that if World War II broke out in the 1990s instead of the 1940s, the United States would lose because it no longer possesses a preeminent manufacturing capability."

SEN. PHIL GRAMM told a campaign rally Sept. 13 in Paris, Texas, that he would demand longer mandatory sentences in a crime bill next year, even though they might not "change somebody's heart." Attacking his Democratic opponent, Victor Morales, for opposing the measure, Gramm raved, "I want to turn our prisons into industrial parks. I want to take out the air conditioning and television sets."

PENNSYLVANIA'S Nazi Gov. Tom Ridge continues on his execution spree. He recently signed two more death warrants, bringing his total to 56. Prior to Ridge's taking of office, no one had been executed in Pennsylvania since 1962.

Bob Dole's anti-drug campaign

It is extraordinary, that Sen. Bob Dole is continuing to make drugs a centerpiece of his ailing campaign. Perhaps he hopes that the *San Jose Mercury News* story can be contained, and that the role of George Bush, as the number one U.S. drug pusher throughout the 1980s, can somehow be swept under the rug.

Such a lapse of just plain common sense on Dole's part, would be cause enough to disqualify him from the office of President of the United States. More to the point, is his patent unwillingness to purge the Republican Party of the criminals and out-and-out Nazis who have taken it over.

Readers are referred to our July 26 *Special Report*, "Britain's Dope, Inc. Grows to a \$521 Billion Business," for some revealing documentation. Drug use is correlated with drug production, and in the instance of crack cocaine, this means production in Colombia, Bolivia, and Peru, in the Andean region of Ibero-America.

Refined cocaine production has risen over the years from 1980 to 1995, from 166 metric tons, to 933 tons, an average increase of around 12.2% per year; the United States consumes about 60% of the world's total refined crop. Nonetheless, *the Clinton administration*, because of increased cooperation between anti-drug agencies in the United States and those in Colombia and Peru, has managed to disrupt air traffic between the United States and the Colombian Cali Cartel, which refines the product grown in Peru.

Drug trafficking will only be stopped by shutting it down at the point of production—and this will only occur if the governments involved treat the interdiction as a military campaign requiring adequate investment. The measures which Bob Dole says that he would take, should he be elected to office, would involve stiffer penalties against street-level offenders. Such an effort would, admittedly, be cheaper than the kind of measures (inadequate as they are) underwritten by the present administration, but they are in keeping with the budgetary agenda of the neo-conservatives.

More to the point, legalizing drugs is advocated by

the neo-conservatives who support Adam Smith's dictum on the subject. If you are a consistent liberal, in the sense of British liberalism—in other words a neo-conservative, like Smith or Milton Friedman—then you believe that drugs are a commodity like any other, and should not be subject to government regulation.

Bob Dole may reject such an overtly immoral position (particularly now that he is on the campaign trail), but it is the logic of free trade ideology run wild—an ideology which he believes himself forced to embrace for political reasons. Were drug trafficking to be legal, then suddenly the figures would show an overnight increase in the Gross National Product, reflecting the sale of currently illegal drugs as legitimate commodities.

This could bolster the appearance of financial health in economies now teetering on the brink of bankruptcy. Perhaps such a sleight of hand would allow the conditions for economic union of European currencies according to the Maastricht criteria, which put a ceiling to the ratio of national debt versus GNP. Such black magic is being openly mooted in some financial circles.

The reality is that George Bush presided over a Contra apparatus, headquartered in Nicaragua, which flooded the streets of Los Angeles with crack cocaine, and opened up the United States to the crack epidemic.

The evidence already assembled demands that George Bush be indicted for his role in drug trafficking, internationally, and particularly in the United States; not, as Dole advocates, the imposition of stricter penalties for youthful criminals. In the Reagan administration, Bush was not only vice president, but he was appointed by the President to be a drug czar.

From this position of political power, with a privately funded, mercenary organization under his command, Bush used his nest of operatives in the National Security Council to operate a "secret government." For Bob Dole to be silent on this issue, but urge retribution against Bush's victims, the small-time drug pushers who most often are users themselves, is worse than a travesty.

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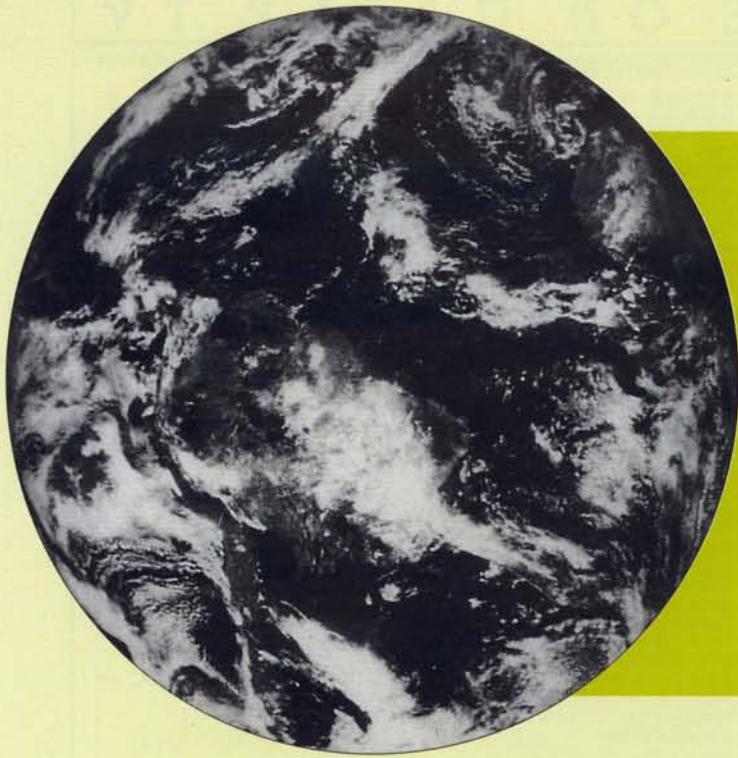
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